Euro Sun Mining Inc.
(formerly Carpathian Gold Inc.)

Management Discussion and analysis
For the three and six months ended June 30, 2016
(all amounts in U.S. dollars unless otherwise noted)

Date: August 23, 2016

This Management Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Euro Sun Mining Inc. (formerly Carpathian Gold Inc.) ("Euro Sun" or the "Company") as at and for the three and six months ended June 30, 2016. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2016 and its consolidated financial statements and related notes as at and for the year ended December 31, 2015. The condensed interim consolidated 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 representation of geologic mineral resources presented in this MD&A have been reviewed and approved by Pierre Desautels, the author of the current mineral resource estimate and an independent Qualified Person as defined by NI 43-101.

Management is responsible for the information disclosed in this MD&A and the companying 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 condensed interim consolidated financial statements for the three and six months ended June 30, 2016, and Euro Sun's board of directors approved these documents prior to their release.

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 Au-Cu project in Romania (the "Rovina Valley Project" or "RVP"). 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. Rovina is the second largest gold deposit in Europe holding measured and indicated resources of 7.2 million ounces of gold and 1.4 billion lbs of copper. Rovina is 17 km from Eldorado Gold's Certej gold project.

Romania

The Company holds the Rovina Valley Project through an exploration license which covers a total of approximately 94 square kilometres (the "Rovina License") that is currently being converted through a formal government process to a mining license. 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. It 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 License 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 m above sea-level.

On November 17, 2008, the Company released the results of an updated NI 43-101 Mineral Resource Estimate (the "Resource Estimate") on the Rovina Valley Project indicating 193.1 million tonnes of 0.49 g/t Au and 0.18% Cu in the Measured and Indicated categories for a total of 3.07 million ounces of gold and 759.1 million pounds of copper and 177.7 million tonnes of 0.68 g/t Au and 0.17% Cu in the Inferred category for 3.89 million ounces of gold and 663.1 million pounds of copper. The complete report can be found on www.SEDAR.com. The Ciresata deposit hosts significant mineralization above the cut-off grade of 0.70 g/t Au eq, which was not incorporated into the Resource Estimate due to low drill hole density on the edges of the Resource Estimate mineralization, and at depth where the mineralization is still open. Nearly every drill hole in the Ciresata Deposit bottomed in mineralization.

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

During 2010, the Company announced the results of three deep diamond drill holes at the Ciresata Deposit. The three deep, vertical core holes (approximately 3,000 m) were designed to test for the depth extension of the Ciresata mineralization as the results of the PEA highlighted additional upside potential for resource growth at the Ciresata Deposit given that practically every drill hole bottomed in higher-grade gold and copper mineralization. The drill program was also designed to provide infill drill hole data, which would serve to upgrade the present resource category from inferred to indicated. The results of this drilling program have successfully met our objectives and have added significant depth extensions of gold and copper mineralization below previous drilling in addition to verifying and upgrading the grade tenor of the inferred resource estimate. Results of the three deep drill holes have added 280 to 300 m depth extension of Au-Cu mineralization below the previous drilling, and indicate that the deposit is still open laterally.

As a result of the success of the 2010 drill program, the Company embarked on a +35,000 metre drill program in 2011 in order to define the limits of the Ciresata Deposit, upgrade the RVP inferred resource to the Measured plus Indicated resource categories, as well as test satellite targets.

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 Consultants Inc. ("AGP") which is an independent engineering company. The 2012 Resource Estimate increased the previous measured plus indicated gold resource category by 134% to 7.19 million ounces and increased the measured plus indicated copper resource by 84% to 1,420 million pounds of copper. In addition, the measured plus indicated gold resource grade increased by 12.2% from the previous resource and the tonnage by 110%.

The 2012 resource update is shown below:

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

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

A consortium of leading engineering groups and specialists, led by AGP was selected in July 2011 to complete a Pre-Feasibility Study for the Rovina Valley Project, specifically on the Ciresata, Colnic and Rovina porphyry deposits. The Pre-Feasibility Study was put on hold in 2013, given the decline in commodity prices and the equity markets sentiment to fund low grade, large capital cost projects. The interim results of the pre-feasibility study are being reviewed internally for a smaller scale operation than was envisioned in the PEA study competed in March 2010.

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 license on August 29, 2012 and closure of the work program for the submittal of final documentation for the conversion to a mining license. In August 2012, the final exploration report was submitted to the NAMR and accepted. Romanian mining law states that the holder of an exploration license has the exclusive right to apply for a mining license at any time or within 90 days after the expiration date of the exploration license. The Company, through its wholly-owned subsidiary, SAMAX Romania SRL ("SAMAX") notified the NAMR of its intention to exercise its exclusive statutory right to apply for a Mining License.

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

Although initially, the MLA was to be based on a large 40,000 tonne per day operation, the decline in commodity prices and increases in capital cost items since the filing of a preliminary economic assessment ("PEA") in 2010, the Company initiated a review of the scope of the project as a smaller, lower 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 the NAMR in August 2014. In October 2014, the NAMR approved the mining waste management plan as one of the key steps in the Mining License 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. The revised MLA may form the basis for the re commencement of the Pre-Feasibility Study.

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

Following the conversion to a mining license, 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 license to a mining license, no disruptive physical field work (i.e., drilling, land clearing, etc.) can be carried out on the property, until after the mining license 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 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 licenses or prospecting permits issued by the NAMR in Bucharest, which is responsible for the administration of all mining and exploration licenses 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 the 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 'urbanisation 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.

Due to the fact that SAMAX is an exploration-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. If and 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.

Brazil

Riacho dos Machados ("RDM") was the Company's sole project in Brazil and the focus of its efforts since late 2008. RDM hosted a past producing mine that was operated by Vale S.A. as an open-pit heap-leach gold mine until 1997, with maximum pit depths at that time of approximately 60 m. The objectives of the work carried out since 2008 were to define a gold resource at RDM that could be of sufficient size to justify expanding and deepening the former open-pit mine, as well as to define additional gold mineralization and/or exploration targets along strike and at depth. The Company, through its Brazilian subsidiary, Mineração Riacho dos Machados ("MRDM"), owned 100% of RDM, which comprised one mining concession (1,000 ha), one mining concession in the approval process (1,230 ha) and 6 exploration licenses (9,091 ha).

On January 11, 2013, MRDM entered into a Project Loan Facility (the "Facility") with Macquarie Bank Limited ("Macquarie Bank") of up to $90 million to fund the construction and development of the RDM Mine. In conjunction with this Facility, MRDM, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the RDM Project's Capex (R$1.90 to $1.00) and Opex (R$1.983 to $1.00) as well as a gold price protection program (consisting of forward sales) for a total of 216,600 ounces of gold (approximately 26% of the open-pit reserves) at varying prices from $1,177 to $1,600 per ounce. On September 22, 2015, all price protection and gold price protection programs had been settled. During 2013, MRDM drew the entire $90 million against the Facility. The Facility had been amended a number of times to provide for the increase of the aggregate amount available thereunder to up to $274.00 million and to provide forbearance against certain defaults and covenants of MRDM under the Facility. As of March 31, 2016, an aggregate of approximately $273 million had been drawn down by MRDM under the amended Facility.

As at and during the year ended December 31, 2015 and the three months ended March 31, 2016, all of the assets and liabilities of MRDM were classified as held for sale. On March 31, 2016, Macquarie Bank assigned all of its rights, title and interest under the Facility to Brio Finance Holdings B.V. ("Brio"), a subsidiary of Yamana Gold Inc., and the most recent forbearance period expired on April 1, 2016. On April 29, 2016, the Company announced that Brio had also acquired all of the Company's interest in MRDM in accordance with an amended and restated restructuring agreement resulting in a loss of control.

Disposition of MRDM

On April 29, 2016, the Company closed a transaction to dispose of its RDM gold project in Brazil.

Yamana Gold Inc.'s Brio Gold division purchased from Macquarie all of Macquarie's rights and interest in its secured loan to the RDM gold project of the Company's subsidiaries as below.

Name of entity	Country of incorporation	Ownership
Ore-Leave Capital (Brazil) Limited	Barbados	100%
OLV Cooperatie U.A.	The Netherlands	100%
OLC Holdings B.V.	The Netherlands	100%
Mineração Riacho dos Machados Ltda. ("MRDM")	Brazil	100%

On April 29, 2016, the Ontario Superior Court of Justice (Commercial List) issued an order approving, among other things, a credit bid transaction, which was initiated by Brio with the cooperation of the Company, and the sale to Brio of all of the Company's direct and indirect equity interests in MRDM (the "Restructuring").

Brio has delivered to the Company and the directors of the Company and certain of its subsidiaries a full release and discharge with respect to any liability under (i) the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Company, MRDM and certain other subsidiaries of the Company, and (ii) Macquarie's security in respect of the foregoing agreements previously acquired by Brio from Macquarie, including the Company's guarantee thereof.

Furthermore, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 70,194,444 common shares (the "Shares") in the capital stock of the Company at a price of CAD$0.018 per Share for aggregate gross proceeds of $1,000,000 (CAD$1,263,500) on a private placement basis.

As part of the transaction closing, $903,951 held in trust and shown as restricted cash at December 31, 2015 was returned to Macquarie.

None of the other assets of the Company have been affected by the Restructuring, and the Company continues to own its Romanian assets.

As at June 30, 2016, the Restructuring has been completed and all the assets, liabilities and obligations related to the RDM project have been disposed of. As a result of the disposition of RDM, the Company recorded a gain of $230,628,958 which represents the difference between the consideration and the net liability of RDM on the date of disposition.

As at December 31, 2015, all of the assets and liabilities of MRDM were classified as held for sale:

	December 31, 2015
Assets	
Current assets	
Cash and cash equivalents	$ 72,335
Restricted deposits	344,049
Trade receivables	2,921,436
Prepaid expenses and sundry receivables	345,184
Inventory	42,858,731
	46,541,735
Non-current assets	
Deposits and receivables	5,637,090
Property, plant and equipment	6,999,791
Mine development assets	3,233,578
Total Assets	62,412,194
Liabilities	
Current liabilities	
Trade and other payables	$ 8,991,658
Project loan facility – short-term	270,770,175
Payables from Gold Stream transaction	27,549,600
Non-current liabilities	
Rehabilitation provisions	5,656,025
Total Liabilities	312,967,458

Second Quarter Highlights

As detailed immediately previously in this MD&A, on April 29, 2016, the Company announced that the agreement by Yamana Gold Inc.'s Brio Gold division to purchase all Macquarie's rights and interest in its secured loan to the RDM gold project had closed. None of the other assets of the Company have been affected by the Restructuring, and the Company continues to own its Romanian assets. Furthermore, as contemplated by the Amended Restructuring Agreement, Brio has entered into a subscription agreement with the Company whereby Brio agreed to purchase 70,194,444 common shares (the "Shares") in the capital stock of the Company at a price of CAD$0.018 per Share for aggregate gross proceeds of $1,000,000 (CAD$1,263,500) on a private placement basis. The subscription price for the Shares is based on the 20-day volume weighted average price thereof as of the close of business on April 26, 2016. The Company applied for and was granted an exemption from the Canadian Securities Exchange's minimum price rule in this regard. Closing of the private placement took place on May 2, 2016.

On May 9, 2016, the Company announced that it agreed to a private placement into the Company whereby Forbes & Manhattan Resources Inc. ("Forbes") and its associated entities will subscribe to a private placement (the "Private Placement") of units (the "Units") for a minimum amount of ten million dollars (CAD$10,000,000) to advance its Rovina Valley Gold Project in Romania. On May 19, 2016, the Company closed the Private Placement whereby Forbes, Sulliden Mining Capital Inc. and Black Iron Inc. subscribed to the Units at subscription price of CAD$0.07 per Unit for aggregate gross proceeds of CAD$10,000,000. Each Unit consists of one (1) common share of the Company ("Common Share") and one-half (0.5) of a common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one (1) Common Share at a price of CAD$0.12 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD$0.15 for a period of 20 consecutive trading days.

In connection with the closing of the financing, Mr. John Hick and Mr. Julian Carvalho have stepped down from the Board of Directors. Mr. Stan Bharti, Mr. Peter Tagliamonte, Mr. Justin Reid and Mr. Matt Simpson joined the Board. Mr. Scott Moore was appointed CEO and Mr. Paul Bozoki subsequently appointed CFO on June 1st.

On May 24, 2016, the Company announced that its Board of Directors has approved an amendment to the Company's by-laws to include an advance notice policy (the "Policy"), which Policy includes a provision that requires advance notice to the Company in circumstances where nominations of persons for election to the Board of Directors are made by shareholders of the Company other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the *Canada Business Corporations Act* (the "Act"), or (ii) a shareholder proposal made pursuant to the provisions of the Act.

Among other things, the Policy fixes a deadline by which holders of record of common shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 nor more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made no later than the close of business on the 10th day following such public announcement.

In the case of a special meeting of shareholders (which is not also an annual meeting), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

The Policy is intended to:

1. facilitate an orderly and efficient annual general or special meeting process;
2. ensure that all shareholders receive adequate notice of the director nominations and sufficient information regarding all director nominees; and
3. allow shareholders to register an informed vote after having been afforded reasonable time for appropriate deliberation.

The Policy is effective immediately and was approved by the Company's shareholders at the annual and special meeting held on August 4, 2016. The full text of the Policy is available via SEDAR at www.sedar.com.

On June 23, 2016, the Company announced that it strengthened its technical team with the addition of Mr. Joseph Milboure and Mr. Les Kwasik. Mr. Milbourne was appointed Technical Services Manager and will be the lead project engineer. Mr. Kwasik has been appointed Country Manager, Technical and will be based on Romania.

Outlook

The Company's primary focus is to advance the permitting process with the regulatory bodies for its Rovina Valley Project. In May 2015, a mining license was issued to Euro Sun by the National Agency for Mineral Resources (NAMR). By law, the license will need to be ratified by four ministries, namely the Ministry of Economy, Environment, Public Finance and Justice, and published in the government Gazette. Euro Sun management is working diligently to have NAMR initiate the ratification process and allow the Company to initiate the full permitting process at Rovina.

Concurrently with permitting efforts, environmental base line work and social programs will also continue on the Rovina Valley Project. The Company will also commence a feasibility study.

Selected Quarterly Financial Information

Results of Operations

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

For the quarters ended	Q2 2016	Q1 2016	Q4 2015	Q3 2015
	$	$	$	$
Net income (loss) for the period from continuing operations	(211,783)	(6,207,212)	1,041,452	3,814,823
Net income (loss) for the period from discontinued operations	230,624,463	(92,973)	(28,867,182)	(25,720,219)
Basic and diluted income (loss) per share from continuing operations	(0.00)	(0.01)	-	0.01
Basic and diluted income (loss) per share from discontinued operations	0.29	0.00	(0.04)	(0.04)

For the quarters ended	Q2 2015	Q1 2015	Q4 2014	Q3 2014
	$	$	$	$
Net income (loss) for the period from continuing operations	(3,768,612)	4,491,557	(10,367,089)	(9,353,077)
Net income (loss) for the period from discontinued operations	766,480	(25,388,107)	(132,573,430)	19,708,777
Basic and diluted income (loss) per share from continuing operations	-	0.01	(0.01)	(0.01)
Basic and diluted income (loss) per share from discontinued operations	-	(0.04)	(0.19)	0.03

Results of Operations for the three months ended June 30, 2016 (“Q2 2016”)

During Q2 2016, the Company was focused on closing the disposition of its RDM project, restructuring and raising additional equity finance. No substantial exploration fieldwork was carried out in Romania during Q2 2016. Reporting to mineral-rights governmental agencies regarding the maintenance of mineral rights tenure continued.

The net loss from continuing operations for Q2 2016 was $211,783 compared to a net loss of $3,768,612 for Q2 2015. Q2 2016 includes $4,216,815 (Q2 2015 - $1,892) in share based compensation, a non-cash cost, as a result of the grant of 80,461,149 options to directors, officers, employees and consultants of the Company in the period. This expense was offset in the quarter by a foreign exchange gain of $4,898,317 as a result in the movement in the value of the Canadian dollar relative to the U.S. dollar, compared to a foreign exchange loss of $1,717,174 in Q2 2015. Foreign exchange volatility is expected to be significantly lower in the coming quarters given the disposition of the RDM project.

In Q2 2016, a non-cash impairment charge of $70,013 was recognized against the carrying value of mainly leasehold improvements and some office equipment at the Company’s former downtown Toronto office which was subleased during the quarter ($nil in Q2 2015).

The basic and diluted loss per share from continuing operations was $nil in Q2 2016 versus loss per share of $nil in Q2 2015.

The net income from discontinued operation under MRDM for Q2 2016 was $230,624,463 compared to net income of $766,480 for Q2 2015. The large $230,624,463 gain in Q2 2016 is the result RDM disposition and mainly due to the effect the Macquarie loan coming off the books of the Company.

The basic and diluted income per share from discontinued operation was $0.29 in Q2 2016 versus income per share of $nil in Q2 2015. MRDM was disposed of during Q2 2016 resulting in a gain on disposition of $230,628,958 which produced the gain per share.

Results of Operations for the six months ended June 30, 2016 ("YTD 2016")

The net loss from continuing operations for YTD 2016 was $6,418,995 compared to net income of $722,945 for YTD 2015. YTD 2016 includes $4,217,516 (YTD 2015 - $4,423) in share based compensation, a non-cash cost, as a result of the grant of 80,461,149 options to directors, officers, employees and consultants of the Company in the period. This expense was offset in the quarter by a foreign exchange gain of $342,257 as a result in the movement in the value of the Canadian dollar relative to the US dollar, compared to a foreign exchange gain of $4,581,244 in YTD 2015. Foreign exchange volatility is expected to be significantly lower in the coming quarters given the disposition of the RDM project.

Professional fees of $1,413,862 were incurred in YTD 2016 compared to $2,588,384 in the comparative six month period. Most of the professional fees were paid to a restructuring consultant and lawyers assisting with the process of disposing of RDM. Professional fees are expected to be substantially lower in coming quarters as these costs are not expected to be incurred going forward given the disposition of RDM.

In YTD 2016, a non-cash impairment charge of $70,013 was recognized against the carrying value of mainly leasehold improvements and some office equipment at the Company's former downtown Toronto office which was subleased during the quarter ($nil in Q2 2015).

The basic and diluted loss per share from continuing operations was $0.01 in YTD 2016 versus income per share of $nil in YTD 2015.

The net income from discontinued operation under MRDM for YTD 2016 was $230,531,490 compared to a net loss of $24,621,627 for YTD 2015. The basic and diluted income per share from discontinued operation was $0.31 in YTD 2016 versus loss per share of $0.04 in YTD 2015. MRDM was disposed of during 2016 resulting in a gain on disposition of $230,628,958. In addition, YTD 2015 included a loss on derivative contracts of $7,019,782 and interest costs of $17,132,378 both of which were $nil in YTD 2016.

Liquidity and Capital Resources

The recovery of resource property related expenditures is dependent on the ability of the Company to obtain necessary financing to complete the development of its Rovina 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 Project.

As at June 30, 2016, the Company had cash and cash equivalents of $8,842,375 ($549,076 – at December 31, 2015) and working capital of $8,727,680 (working capital shortfall of $249,341,174 as at December 31, 2015). 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 March 31, 2016, the Company announced that Brio had acquired from Macquarie all of Macquarie's rights and interests in the project loan facility and on April 29, 2016, Brio acquired 100% of the Company's interest in MRDM in accordance with an amended and restated restructuring agreement. Additionally, upon closing of the restructuring, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 70,194,444 common shares (the "Shares") in the capital stock of the Company at a price of CAD$0.018 per Share for aggregate gross proceeds of $1,000,000 (CAD$1,263,500) on a private placement basis.

On May 19, 2016, the Company closed a private placement financing whereby Forbes & Manhattan Inc., Sulliden Mining Capital Inc. and Black Iron Inc. subscribed to units (the "Units") at subscription price of CAD$0.07 per Unit for aggregate gross proceeds of CAD$10,000,000. Each Unit consisted of one (1) common share of the Company ("Common Share") and one-half (0.5) of a common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one (1) Common Share at a price of CAD$0.12 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD$0.15 for a period of 20 consecutive trading days. The Company incurred total transaction costs of $496,929 and issued broker warrants with a fair value of $422,086 in connection with the private placement.

Changes in Accounting Policies

For more details on the effect of these changes on the financial results of the Company please refer to Note 3 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2016.

Exploration and evaluation expenditures

During 2016, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts.

Expired share-based payments and warrants

During the quarter ended June 30, 2016, the Company elected to change its accounting policy for the treatment of share-based payments and warrants whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit on expiry. The value of unexercised and outstanding warrants and options will continue to be recorded in the warrant reserve and contributed surplus reserve accounts, respectively. The Company believes that this presentation provides more relevant financial information. Previously, the Company's policy was to record the value of expired options and warrants within contributed surplus along with the value of outstanding share options.

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

Leases

As of December 1, 2010, the Company entered into a sub-lease agreement for office space through March 31, 2018. The minimum annual rent thereunder is CAD$35,640 plus applicable expenses for the entire term. In addition, the Company entered into a lease agreement in respect of additional office space for the period June 1, 2012 to March 31, 2018. The minimum annual rent thereunder was CAD$39,618, which increased to CAD$44,020 as of October 1, 2014 plus applicable expenses. As of September 1, 2015, all of the Company's premises covered by these agreements were sub-leased to the Company by a third party through to March 31, 2018 at full recovery.

Lawsuits

Three former officers of the Company have initiated lawsuits for an aggregate of approximately $3.1 million for wrongful dismissal. The Company intends to defend the matter vigorously as it believes the three former officers claims are without merit.

Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $2.9 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 $2.1 million pursuant to the terms of these contracts.

Related Party Transactions

During the six months ended June 30, 2016, the Company entered into the following transactions with related parties not disclosed elsewhere in these interim financial statements:

Commencing on May 23, 2016, the Company entered into a management, business and operational consulting contract with Forbes & Manhattan Inc. for $23,061 (CAD$30,000) per month with an indefinite term. Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan Inc.

During the quarter ended June 30, 2016, the Company incurred consulting expenses of $115,305 (CAD$150,000) to Gedwal Management Inc. a company controlled by Mr. Guy Charette. The amount is included in accounts payable at June 30, 2016.

As at June 30, 2016, there was $115,305 due to related parties (June 30, 2015: $nil).

Risk Factors

The 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 its development. The following risk factors pertain to the business and operations of the Company and its subsidiaries.

Nature of Mineral Exploration and Mining

The exploration and development of mineral deposits involve significant risks over an extended period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. As a result, few properties which are explored are ultimately developed into producing mines. The long term profitability of Euro Sun's operations will be in part related to the cost and the success of its exploration programs, which programs may be affected by a number of factors out of the Company's control, such as commodity prices, the availability of skilled personnel, qualified vendors and the availability of critical equipment and capital.

Substantial expenditures on drilling and related costs are required to establish reserves, to determine the technical and economic feasibility of mining and extraction and, if warranted, to develop the mining and processing facilities and infrastructure of any given project. Although substantial benefits may be derived from the discovery of a major mineralized deposit, it is impossible to ensure that proposed exploration programs on the properties will result in profitable mining operations. There is no assurance that the Company's expenditures will result in discoveries of commercially viable ore bodies. Furthermore, there can be no assurance that the Company's estimates of future exploration expenditures will be accurate.

Actual expenditures may be significantly higher than currently anticipated. Whether a deposit will be commercially viable depends on a number of factors, including, but not limited to, the particular attributes of the deposit (e.g. size and grade of the deposit), costs and efficiency of the recovery methods that can be employed, proximity to infrastructure, land use and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Euro Sun not receiving an adequate return on its invested capital.

Exploration and Development Risks

Mineral exploration and mining involve considerable financial and technical risks. Substantial expenditures are usually required to establish ore reserves, to evaluate mineral treatment processes and to construct mining and processing facilities. The Company cannot assure that the current exploration programs planned by the Company will result in profitable commercial mining operations, as few properties that have been explored are ultimately developed into producing mines. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or landslides, floods, power outages or fuel shortages, labour disruptions, fires, explosions, and the inability to obtain suitable or adequate machinery, equipment, materials or labour are risks associated with the conduct of exploration programs and the operation of mines, any of which could result in legal liabilities arising therefrom. The Company has relied, and may continue to rely, upon consultants for expertise with respect to the construction and operation of a mining facility.

Construction and Start-up of New Mines

The success of construction projects and the start-up of new mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), the successful completion and operation of the ore pass, the plant, the conveyors to move the ore and other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful; that the Company will be able to obtain sufficient funds to finance construction and start-up activities; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Company will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

Foreign Jurisdictions

The Company's assets are all located outside of Canada. It may be difficult or impossible to effect service or notice to commence legal proceedings upon foreign governments, persons and businesses. Even if effected, it may not be possible to enforce against such parties, judgements obtained in Canadian courts predicated upon the civil liability provisions available under Canadian laws.

The Company conducts its operations in Romania through foreign subsidiaries which directly and indirectly hold all of the assets in connection with the Rovina Valley Project. Accordingly, any limitations placed by the Romanian government on the transfer of cash or other assets between the Company and its subsidiaries could restrict the Company's ability to fund the Rovina Valley Project licenses efficiently. Any such limitations could have an adverse impact on the Company's prospects, financial condition and results of operations.

The Company's assets are located in Romania, which causes it to be subject to certain risks, including possible political or economic instability, which may result in the impairment or loss of licenses or mineral rights. Mineral exploration and mining activities may be affected in varying degrees by instability and government regulations relating to the mining industry, which could include the cancellation or renegotiation of licenses and other contracts, changes in local domestic laws or regulations, changes in tax laws, royalty and tax increases, restrictions on production, price controls, expropriation of property, fluctuations in foreign currency, foreign exchange controls, import and export regulations, restrictions on the export of gold, restrictions on the ability to repatriate earnings and pay dividends, environmental legislation, employment practices and mine safety. There can be no assurance that such restrictions and controls will not be imposed in the future and such restrictions, controls or fluctuations may materially affect the Company's financial position as well as the Company's ability to develop its assets. Any changes in the laws, rules or regulations, policies or shifts in political attitudes regarding foreign investment in the Romanian mining industry are beyond the Company's control and may adversely affect its business

No Assurance of Title to Exploration Licenses or Surface Rights

To carry out its activities, the Company must obtain licenses and/or permits to explore for minerals in any given area. These licenses are granted by government agencies and, once granted, are registered with such agencies. The Company has conducted title searches on all of its exploration licenses and, to the best of its knowledge; the titles to all of its licenses are in good standing. However, this should not be construed as a guarantee of such titles. The Company's licenses may be subject to prior unregistered agreements or transfers or third party claims or may also be affected by other undetected defects, such as prior unregistered liens, agreements, transfers or claims, including Native title claims. There is no assurance that the interests of the Company in any of its licenses may not be challenged or impugned. Exploration licenses do not include the surface rights to the areas covered by such licenses nor access thereto. In the event that a positive development and or production decision is made, the Company would need to acquire the surface rights to the areas covered by such licenses and possibly other surface rights providing access to such areas. These surface rights may be owned by governmental authorities or private interests, and there is no guarantee that the Company would ever be able to acquire such surface rights on reasonable terms or at all.

Environmental and other Regulatory Requirements

The operations of the Company are subject to Romanian laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company believes that it is in substantial compliance with all applicable material laws and regulations, however, there can be no assurance that all permits which the Company may require for its operations, particularly environmental permits, will be obtained on reasonable terms or that compliance with such laws and regulations would not have an adverse effect on the profitability of any mining project that the Company may undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Furthermore, non-governmental organizations ("**NGOs**") have been very active in certain parts of the world in blocking or attempting to block the acquisition of permits for large scale mining projects. There have been many recent instances where mining projects have been blocked or extensively delayed because of numerous means employed by NGOs as well as their extensive recourse to the courts to obtain injunctions and other procedural and legal remedies.

Permits, Licenses and Approvals

The operations of the Company require permits, licenses and approvals from various governmental and non-governmental authorities. The Company has obtained, or will be required to obtain, all necessary permits, licenses and approvals required to carry on its operations under applicable laws and regulations. However, such permits, licenses and approvals are subject to changes in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary permits, licenses and approvals required to carry out exploration, development and mining operations in connection with its projects.

Environmental Liability

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities associated with environmental pollution and waste disposal. Environmental liability may result from mining activities conducted by other parties prior to the Company's involvement with its properties. To the extent the Company is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available to the Company and could have a material adverse effect on the Company. Should the Company be unable to fund fully the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Uncertainty of Mineral Resource Estimates

The figures for mineral resources presented herein are estimates, and no assurance can be given that the anticipated tonnage and grades will be achieved or that the indicated level of recoveries of gold and copper will be realized. The ore grade actually recovered by the Company may differ from the estimated grades of the mineral resources. Such figures have been determined based on assumed gold and copper prices and operating costs. Mineral resource estimates for properties that have not commenced production are based, in most instances, on very limited and widely spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be characterized as mineral reserves. There is no certainty that mineral resources will be converted into mineral reserves.

Mineral Deposits, Production Costs and Metal Prices

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, cost of operations and fluctuations in the sale prices of products. The value of Euro Sun’s mineral properties is heavily influenced by metal prices. Metal prices can and do change substantially over a short period of time, and are affected by numerous factors beyond the control of the Company, including, but not limited to, changes in the level of supply and demand, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, new discoveries, speculative activities and increased production arising from improved mining and production methods. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company’s properties can be mined profitably. Depending on the price received for minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

The grade of any ore ultimately mined from a mineral deposit may differ from the Company’s estimates based on drilling results. Production volumes and costs can be affected by such factors as the proximity and the capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of the operations. Moreover, there can be no assurance that any gold, silver, copper or other minerals recovered in small-scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental liability.

Volatility of Mineral Prices

The future profitability and viability of the Company, including its ability to develop its Rovina Project is dependent on the market prices of gold and copper. The market prices of these minerals are influenced by factors beyond the Company’s control, including global supply and demand, interest rates, volatility in the credit and financial markets, strong investment demand and inflation expectations. The effect of these factors on gold and copper prices are impossible for the Company to predict. If the prices of these minerals decline, it could have a material adverse effect on the Company’s share price, business and operations.

Currency Fluctuations

Currency fluctuations may affect the costs that the Company incurs for its exploration programs and at its operations. Gold and copper are sold throughout the world based principally on a U.S. dollar price, but some of the Company’s operating expenses are incurred in other currencies including Euros and Romanian Lei. The fluctuation of the Euro or Lei against the U.S. dollar will influence the cost of gold and copper production at such mining operations and could materially affect the Company’s earnings and financial condition.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Liquidity Concerns and Future Financing

The viability of further development and exploration of the various mineral properties in which the Company holds interests will depend upon the Company's ability to obtain financing through joint ventures, equity financing, debt financing or other means. There is no assurance that the Company will be successful in obtaining required financing when needed. Volatile markets for precious and base metals may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain such additional financing could result in the dilution or complete loss of the Company's interests in these properties.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

Acquisitions and Integration

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Litigation Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may become involved in legal disputes in the future. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's financial position or results of operations.

Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, and the loss of any one of them could have an adverse effect on the Company. In addition, while certain of the Company's officers and directors have experience in the exploration and development of mineral producing properties; the Company will remain highly dependent upon contractors and other third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Conflicts of Interest

The directors and officers of the Company do not devote all of their time to the affairs of the Company. The directors and officers of the Company are also directors and officers of other companies, some of which conduct business similar to that of the Company. The directors and officers of the Company are required by law to act in the best interest of the Company. They have the same obligations to the other companies to which they act as directors and officers. The discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies and, in certain circumstances; this could expose the Company to liability to those companies. Similarly, the discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interest of the Company. Such conflicting obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

Compliance with Anti-Corruption Laws

The Company is subject to various anti-corruption laws and regulations including, but not limited to, the Canadian Corruption of Foreign Public Officials Act. In general, such laws prohibit a company and its employees and intermediaries from bribing or making prohibited payments to foreign officials or other persons to obtain business or gain some other business advantage. The Company's operations are located in countries which, according to Transparency International, are perceived as having significantly higher levels of corruption relative to Canada. The Company cannot predict the nature, scope or effect of future anti-corruption regulatory requirements to which its operations may be subject or the manner in which existing laws may be administered or interpreted.

Failure to comply with applicable anti-corruption legislation could expose the Company and/or its senior management to civil and/or criminal penalties, other sanctions, remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect the Company's business, financial condition and results of operations, as could any investigation of any potential violations of applicable anti-corruption legislation by Canadian or foreign authorities.

As a consequence of these legal and regulatory requirements, the Company has adopted policies and procedures with regard to business ethics and anti-corruption which have been designed to ensure that the Company and its employees comply therewith. However, there can be no assurance or guarantee that such efforts have been or will be completely effective in ensuring the Company's compliance and the compliance of its employees, consultants, contractors or agents with all applicable anti-corruption laws and regulations.

Insurance

The Company currently holds a certificate of insurance providing for Directors and Officers Liability coverage of up to $5,000,000, inclusive of defense costs. Additionally, the Company carries a general liability policy in the amount of $5,000,000. There is no guarantee that these policies will provide sufficient protection for the Company against certain risks associated with mineral exploration, commercial exploitation and related corporate activities. Even with these policies in place, there remains a risk that unusual liabilities may not be covered or that the insured amounts may prove insufficient.

Fluctuation in Market Value of Euro Sun's Shares

The market price of the Company's publicly-traded Common Shares is affected by many variables not directly related to the performance of the Company, including, but not limited to, the market in which the Common Shares are traded, the strength of the economy generally, the availability and attractiveness of alternative investments and the breadth of the public market for the stock. The effect of these factors on the market price of the Common Shares in the future cannot be predicted.

Equipment, Materials and Skilled Technical Workers

The Company is dependent on the availability of affordable and accessible equipment, replacement parts, and repair services and the absence or disrepair of such equipment, parts and services could affect or halt exploration or eventual production on the properties of the Company. There can be no guarantee that such equipment, parts or repair services will be available to the Company, or that such equipment, replacement parts or repair work will be available on commercially reasonable terms.

Euro Sun is dependent on the availability of affordable and accessible materials. There can be no guarantee of the availability, quality and reliability of the supply of neither such materials, nor that such materials will continue to be available to the Company on commercially reasonable terms.

The Company is also dependent on the availability of skilled technical workers to carry out various functions on the properties of the Company. There can be no guarantee that such skilled workers will be available to carry out such activities on behalf of Euro Sun or that such workers will be available on commercially reasonable terms.

Nature and Climatic Conditions

The Company and the mining industry continuingly face geotechnical challenges which could adversely impact the Company's production and profitability. Unanticipated adverse geotechnical and hydrological conditions, such as severe rainfall, floods, landslides, droughts, pit wall failures and rock fragility may occur, and such events may not be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict are often affected by risks and hazards outside of the Company's control. Such conditions could result in limited access to mine sites, suspensions or reductions in operations, government investigations, increased monitoring costs, remediation costs, loss or ore and other impacts which could cause the Company's projects to be less profitable than currently anticipated and could result in a material adverse effect on the Company's results of operations and financial position.

Current Global Financial Conditions

In recent years global financial conditions have been characterized by markedly increased volatility and have led to intervention by governments in many financial markets. Access to public financing has been negatively impacted by the lack of readily available money. These factors may impact the ability of the Company to obtain equity and/or debt financing in the future or on terms favourable to the Company. Additionally, these factors, as well as other related factors, may cause decreases in the asset values that are deemed to be other than temporary, which may result in additional impairment losses. .

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.

Subsequent Event

On August 4, 2016, the Company's shareholders approved the adoption of a Shareholder Rights Plan (the "Rights Plan") pursuant to a Shareholder Rights Plan Agreement (the "Rights Plan Agreement") between the Company and TSX Trust Company. The fundamental objectives of the Rights Plan are to provide adequate time for Carpathian's Board and shareholders to assess an unsolicited take-over bid for the Company; to provide the Board with sufficient time to explore and develop alternatives for enhancing and maximizing shareholder value if a take-over bid is made; and, to provide shareholders with an equal opportunity to participate in a take-over bid. The Rights Plan encourages a potential acquirer who makes a take-over bid (an "Acquirer") to ensure the take-over bid satisfies certain minimum standards designed to promote fairness, or to proceed with the concurrence of the Board (a "Permitted Bid"). If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board, the Rights Plan provides that holders of common shares of the Company, other than the Acquirer, will be able to purchase additional common shares at a significant discount to market, thus exposing the Acquirer to substantial dilution of its holdings. The Rights Plan has been prepared in alignment with recent amendments to the regulatory framework governing take-over bids published by the Canadian Securities Administrators, which came into effect on May 9, 2016.

The Rights Plan will have an initial term which expires at the annual meeting of shareholders of the Company to be held in 2019 unless terminated earlier. The Rights Plan may be extended beyond 2019 by approval of eligible shareholders at such 2019 meeting. Pursuant to the Rights Plan, effective July 6, 2016 rights (the "Rights") have been issued and attached to all of Carpathian's outstanding common shares. A separate rights certificate will not be issued until such time as the Rights become exercisable (which is referred to as the "separation time"). The Rights will become exercisable only if a person, together with its affiliates, associates and joint actors, acquires or announces its intention to acquire beneficial ownership of Carpathian common shares which, when aggregated with its current holdings, total 20% or more of the outstanding Carpathian common shares (determined in the manner set out in the Rights Plan) other than as permitted under the Rights Plan. The Rights will effectively permit holders, other than an Acquirer and such related parties, to purchase common shares of the Company at a 50% discount to their market price (as defined in the Rights Plan Agreement). Additional details regarding the Rights Plan is available for viewing on www.sedar.com.

Outstanding Share Data

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

a) 908,221,497 common shares outstanding;
b) 79,999,999 warrants and broker warrants outstanding with expiry dates of May 9, 2018 and exercise prices ranging from CAD$0.07 to CAD$0.12. If all the warrants or broker were exercised, 79,999,999 shares would be issued for proceeds of CAD$9,171,428.
c) 84,161,149 stock options outstanding with expiry dates ranging from August 13, 2017 to June 13, 2021 with exercise prices ranging from CAD$0.03 to CAD$0.40. If exercised, 84,161,149 shares would be issued for proceeds of CAD$7,441,086.

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.