Management Discussion and Analysis
For the year ended December 31, 2016
(all amounts in U.S. dollars unless otherwise noted)

Date: March 21, 2017

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 year ended December 31, 2016. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes as at and for the year ended December 31, 2016. The consolidated audited financial statements and related notes of Euro Sun have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 accompanying audited 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 audited consolidated financial statements as at and for the year ended December 31, 2016, 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 north-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. Rovina 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 lbs of copper.

Rovina Valley Project – History and Latest Developments

The Company holds the Rovina Valley Project through a mining license which covers a total of 27.68 square kilometres (the "Rovina License") that is currently being ratified through a formal government process. This license 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 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.

A preliminary economic assessment for the Rovina Valley Project was completed in March 2010. In July 2011, a consortium of leading engineering groups and specialists, led by 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 interim results of the pre-feasibility study are currently being reviewed internally and the Company expects to initiate a feasibility study in 2017 for a smaller scale operation than was envisioned in the PEA study competed in March 2010.

There has been no previous commercial mining activity at the Rovina Valley Project and the proposed mine site footprint, as defined by its 2010 preliminary economic assessment (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.

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"), 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.

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 the 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 ("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.

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 '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.

Due to the fact that SAMAX is an exploration & 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. 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.

Disposition of the Riacho dos Machados Project

The development of the Riacho dos Machados project ("RDM"), located in Brazil, was the Company's sole focus since late 2008. 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 3,864,482 common shares (the "Shares") in the capital stock of the Company at a price of CAD$0.327 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 December 31, 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. The income from discontinued operations of $230,531,490 includes the revenues and expenses of the RDM project up to the date of disposition of April 29, 2016, along with the gain of disposition of $230,628,958.

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	4,352,587
Mine development assets	5,880,782
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	5,656,026
Total Liabilities	312,967,459

Fourth Quarter Highlights

On October 18, 2016, the Company announced that it obtained a new prospecting permit from Romanian's National Agency for Mineral Resources for the Stanija area, located approximately 3 kilometres east of its Rovina Valley Mining Licence, in west-central Romania. The Stanija property covers 42 square kilometres in the highly prolific Golden Quadrilateral mining district in the South Apuseni mountains. The permit is valid for three years and exploration work will begin immediately. Extensive exploration activities were conducted in the Stanija area after the modern mining law became effective, in 1998; initially from 2000 to 2004 by European Goldfields, and again by Euro Sun's subsidiary, SAMAX, in 2007. Based on results from this historical work, Euro Sun has already identified several exploration targets within the two target areas.

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 also intends to initiate a feasibility study in early 2017.

Selected Annual Information

	2016	2015	2014
	$	$	$
Net (loss) income for the year from continuing operations	(10,646,424)	5,579,220	(51,838,084)
Net income (loss) for the year from discontinued operations	230,531,490	(79,209,026)	(162,630,325)
Basic and diluted (loss) income per share from continuing operations*	(0.23)	0.15	(1.36)
Basic and diluted income (loss) per share from discontinued operations*	5.05	(2.07)	(4.26)
Total assets	5,735,803	64,439,010	86,423,508
Total non-current financial liabilites	-	-	10,547,206
Total assets classified as held for sale	-	62,412,194	-
Total financial liabilities classified as held for sale	-	312,967,459	-
# weighted average shares	45,683,315	38,216,798	38,216,798

Selected Quarterly Financial Information

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

For the quarters ended	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	$	$	$	$
Net (loss) for the period from continuing operations	(2,013,907)	(2,213,522)	(211,783)	(6,207,212)
Net income (loss) for the period from discontinued operations	-	-	230,624,463	(92,973)
Basic and diluted (loss) per share from continuing operations*	(0.04)	(0.04)	(0.00)	(0.16)
Basic and diluted income (loss) per share from discontinued operations*	-	-	5.20	(0.00)

For the quarters ended	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
	$	$	$	$
Net income (loss) for the period from continuing operations	1,041,452	3,814,823	(3,768,612)	4,491,557
Net (loss) income for the period from discontinued operations	(28,867,182)	(25,720,217)	766,480	(25,388,107)
Basic and diluted income (loss) per share from continuing operations*	0.03	0.10	(0.10)	0.12
Basic and diluted (loss) income per share from discontinued operations*	(0.76)	(0.67)	0.02	(0.66)

* 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 months and year ended December 31, 2016

Selected financial information

	For the three months ended December 31, 2016	For the three months ended December 31, 2015	**For the year ended December 31, 2016**	For the year ended December 31, 2015
	$	$	**$**	$
(Loss) income for the period	**(2,013,907)**	1,041,452	**(10,646,424)**	5,579,220
(Loss) income per share	**(0.04)**	0.03	**(0.23)**	0.15
Expenses:				
General and administrative	**420,747**	727,500	**2,037,877**	5,767,853
Consulting and management expenses	**438,775**	206,842	**5,777,721**	896,264
Legal settlements	**278,833**	-	**1,249,119**	-
Depreciation and amortization	**-**	22,637	**44,048**	95,310
Impairment	**-**	-	**70,013**	-
Other loss (income)	**255,771**	(2,203,930)	**(6,353)**	(13,277,996)
	1,394,126	**(1,246,951)**	**9,172,425**	**(6,518,569)**
Exploration and evaluation expenditures:				
Consulting and labour	**410,993**	160,156	**1,019,891**	663,277
Exploration costs	**107,737**	1,563	**122,424**	26,088
Field office and administration	**97,323**	37,404	**267,100**	224,512
Professional fees	**-**	6,376	**-**	25,472
Travel costs	**3,728**	-	**64,584**	-
	619,781	205,499	**1,473,999**	939,349
(Loss) income for the period from discontinued operations	**-**	(28,867,182)	**230,531,490**	(79,209,026)
(Loss) income per share from discontinued operations	**-**	(0.76)	**5.05**	(2.07)

Results of Operations for the three months ended December 31, 2016 ("Q4 2016")

The net loss from continuing operations for Q4 2016 was $2,013,907 compared to a net income of $1,041,452 for Q4 2015. Net income in Q4 2015 related mainly to a foreign exchange gain of $2,165,634 compared with a foreign exchange loss of $269,313 in Q4 2016. In addition, the Company accrued $278,833 in Q4 2016 related to the settlement of lawsuits with former officers of the Company. Exploration and evaluation efforts at the Company's Rovina project in the fourth quarter included: engineering trade-off studies, metallurgical testing and land acquisition efforts.

The basic and diluted loss per share from continuing operations was $0.04 in Q4 2016 versus income per share of $0.03 in Q4 2015.

The net income from discontinued operation under MRDM for Q4 2016 was $nil compared to net loss of $28,867,182 for Q4 2015. The Company completed the disposition of MRDM on April 29, 2016.

The basic and diluted income per share from discontinued operation was $nil in Q4 2016 versus loss per share of $0.76 in Q4 2015.

Results of Operations for the year ended December 31, 2016 ("YTD 2016")

The net loss from continuing operations for YTD 2016 was $10,646,424 compared to a net income of $5,579,220 for YTD 2015. Net income in YTD 2015 related mainly to a foreign exchange gain of $13,238,778. YTD 2016 includes $4,429,151 (YTD 2015 - $5,716) in share based compensation, a non-cash cost, as a result of the grant of 4,704,969 options to directors, officers, employees and consultants of the Company in the year.

Professional fees of $1,430,767 were incurred in YTD 2016 compared to $5,239,834 in the comparative year. 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.

During YTD 2016, the Company paid or accrued $1,249,119 related to the settlement of three lawsuits with former officers of the Company (YTD 2015 - $nil). Exploration and evaluation efforts at the Company's Rovina project included: engineering trade-off studies, metallurgical testing and land acquisition efforts.

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 Q4 2015).

The basic and diluted loss per share from continuing operations was $0.23 in YTD 2016 versus income per share of $0.15 in YTD 2015.

The net income from discontinued operation under MRDM for YTD 2016 was $230,531,490 compared to a net loss of $79,209,026 for YTD 2015. The basic and diluted income per share from discontinued operation was $5.05 in YTD 2016 versus loss per share of $2.07 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 $18,609,398 and interest costs of $35,253,756 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 December 31, 2016, the Company had cash and cash equivalents of $5,511,102 ($549,076 – at December 31, 2015) and working capital of $4,852,364 ($1,214,091 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 September 12, 2016, the Company consolidated its common shares on the basis of one new common share for every 18.164 common shares outstanding effective September 12, 2016. The impact of the common share consolidation has been reflected retroactively in these consolidated financial statements and accompanying notes.

On March 31, 2016, the Company announced that Brio had acquired from Macquarie all of Macquarie's rights and interests in the 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 3,864,482 common shares (the "Shares") in the capital stock of the Company at a price of CAD$0.324 per Share for aggregate gross proceeds of $1,000,000 (CAD$1,253,600) on a private placement basis. The Company closed this private placement on May 2, 2016.

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$1.27 per Unit for aggregate gross proceeds of $7,630,675 (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$2.18 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$2.72 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 2 of the audited consolidated financial statements for the year ended December 31, 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 year ended December 31, 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

During the year ended December 31, 2016, the Company settled three lawsuits with former officers of the Company for $1,321,963 (CAD$1,775,000). As at December 31, 2016, the Company owed CAD$975,000 ($726,149) payable in installments with the final installment due on March 1, 2018. The $697,061 discounted value of the outstanding settlement amounts has been accrued in the December 31, 2016 financial statements.

Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $3.5 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 $2.5 million pursuant to the terms of these contracts.

Related Party Transactions

During the year ended December 31, 2016, the Company entered into the following transactions with related parties not disclosed elsewhere:

The Company paid or accrued $1,318,469 (2015 - $853,691) of management compensation relating to officers and directors of the Company. Included in this amount is $158,419 paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which Mr. Stan Bharti is the Executive Chairman and Mr. Matt Simpson is Chief Executive Officer both of whom are directors of the Company. Also included in management compensation are consulting expenses of $169,734 paid to Gedwal Management Inc. a company controlled by Mr. Guy Charette, a director of the Company. In addition, officers and directors had 3,996,216 options vest with a value of $3,753,193 during the year.

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, 2016 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.

Subsequent Events

On January 30, 2017, two of the Company's subsidiaries, Carpathian Gold Limited and Samax Romania Limited, merged. The surviving company is named Samax Romania Limited.

Outstanding Share Data

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

a) 50,001,183 common shares outstanding;
b) 4,404,316 warrants and broker warrants outstanding with expiry dates of May 19, 2018 and exercise prices ranging from CAD$1.27 to CAD$2.18. If all the warrants or broker were exercised, 4,404,316 shares would be issued for proceeds of CAD$9,171,428.
c) 4,853,615 stock options outstanding with expiry dates ranging from August 13, 2017 to September 30, 2021 with exercise prices ranging from CAD$1.36 to CAD$7.27. If exercised, 4,853,615 shares would be issued for proceeds of CAD$7,488,949.

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.