

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

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#### **GENERAL INFORMATION**

Management's Discussion and Analysis ("MD&A") of the financial position and of the results of operations is the responsibility of management and has been reviewed and approved by the Board of Directors of Sunset Cove Mining Inc. ("Sunset" or the "Company") on May 11, 2016.

Sunset was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporation Act on December 4, 2007. On December 3, 2010 the Company changed its name from Numine to Sunset Cove Mining Inc. The principal activities of Sunset and its subsidiary are the exploration and evaluation of mineral properties.

The Company's shares are listed under the symbol SSM on the TSX Venture Exchange. The registered office of the Company is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada.

The following discussion and analysis should be read in conjunction with the condensed unaudited interim consolidated financial statements for the quarter ended December 31, 2015 and the audited consolidated financial statements of Sunset for the twelve month period ended March 31, 2015 and with the related notes attached thereto. These interim consolidated financial statements have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34.

The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Certain comparative figures have been reclassified to conform to the current year's presentation.

The MD&A is provided to enable the reader to assess material changes in financial position and results of operations for the period ended December 31, 2015, in comparison to the corresponding period last year. This MD&A is also intended to supplement and complement the audited consolidated financial statements of Sunset and accompanying notes for the period ended March 31, 2015 and 2014.

The MD&A is prepared in conformity with NI 51-102F1 and unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

---

**FORWARD-LOOKING STATEMENTS**

This MD&A for the quarter ended December 31, 2015 may contain or refer to certain forward-looking statements relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "intend", "estimate", "may", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

Any forward-looking information that may be presented in this MD&A is identified as such. Statements regarding the adequacy of cash resources to carry out our exploration and development programs or the need for future financing are forward-looking statements. Any forward-looking information is based on current expectations that involve a number of business risks and uncertainties. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Current shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested forward-looking statements.

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur.

There are no events and circumstances that occurred during the period to which the MD&A relates, except those that may be published in the subsequent event section, and the going concern notes and financing, that are reasonably likely to cause actual results to differ materially from material forward-looking information, for a period that is not yet complete and has previously disclosed to the public.

Sunset undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

---

**GOING CONCERN DISCLOSURE**

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although Sunset has taken steps to verify title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Sunset is not currently generating any revenue from its operations and for the nine-month period ended December 31, 2015, the Company recorded a net comprehensive loss of \$138,717 (December 31, 2014 - \$418,575) and an accumulated deficit of \$9,163,418 (March 31, 2015 - \$9,024,702). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

The interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

---

#### **CORPORATE OVERVIEW**

On December 3, 2010, Numine Resources Ltd. ("Numine") announced that its Qualifying Transaction involving the acquisition of all issued and outstanding securities of Sunset Cove Mining Inc. ("Sunset Cove") was closed under an amalgamation with a wholly owned subsidiary of Numine.

The following individuals were appointed to the Company's board of directors: Lorne Woods, Marc Blais, Jason Mychasiw, Arnaldo T. Leon and Stephen Roebuck.

The board has appointed Lorne Woods as President and Chief Executive Officer, Marc Blais as Chief Operating Officer, Jacques Arsenault as Chief Financial Officer, and Greta Castillo as General Manager in Peru.

Sunset is headquartered in Toronto, Ontario, with an office in Montreal, Québec. The company also has a wholly owned Peruvian subsidiary, Minera Sunset Del Peru S.A.C.

Sunset is a junior mineral exploration and development company focused on the acquisition and exploration of mineral properties. The Company strategy is to build value through the acquisition, exploration and development of polymetallic precious metal and graphite properties to the point where they become attractive acquisitions or joint venture targets.

Sunset's project generation strategy is based on acquiring properties in proven mining districts, by going to geological formations where proven mineral exploration and extraction success continues. This means that all of the Company's projects are located near the necessary infrastructure of roads, water and electricity.

The Company was founded in 2008 by Lorne Woods and Marc Blais to take advantage of the mining and exploration opportunities available in Peru and Quebec, Canada. These are opportunities which Marc Blais came to know about as a result of the contacts he made during his 18 years and counting of doing business in Peru. Together Lorne Woods and Marc Blais have 35 years of experience managing mining companies and in the financing of private and public companies. They also have access to a handpicked international network of private investors, brokers, portfolio managers and institutional funds.

#### **Carolay Silver Property**

The Company held 1,124 hectare exploration license on the Carolay Polymetallic Silver Property, located in the region of La Libertad of northern Peru.

Due to more than a 50% drop in the price of silver (USD\$47 on March 26, 2011 - USD\$16.47 on April 4, 2015), and additional challenges in securing financial resources, the Company has decided to abandon and write-off its investment in the project and move its focus on developing its projects which are located in Canada.

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

---

#### **Lac Guéret West Graphite Property**

On May 24, 2013 Sunset signed a mineral option agreement for 100% of the 10,800 hectare Lac Guéret West Graphite Property in north-eastern Quebec. The terms of the option require a payment of \$15,000 (accrued) and the issuance of 1,700,000 Units of Sunset (completed August 7, 2013) at \$0.05 for a total acquisition price of \$100,000. Each Unit consisting of one common share of the Company and one common share purchase warrant (each warrant entitles the holder thereof to acquire one additional common share for twenty four months following the approval by the regulatory authorities at a price of \$0.10 per share).

Sunset must make \$200,000 in exploration and/or development work on the Property within 12 months after regulatory approval. Sunset Cove shall pay a net smelter royalty ("NSR") of 2% on all metals produced from the property and at any time have the right to buy back 1% of the NSR by paying \$1,000,000 to the vendors.

In August 2014 the agreement with the property owner has been renegotiated to defer the \$15,000 payment by 6 months and postpone, by one year, the requisite exploration and/or development work.

#### **Lac Guéret North Graphite Property**

On October 9, 2014 Sunset announced that it has signed a Mineral Option Agreement with a group of Quebec prospectors to purchase, by way of an option agreement, 100% of the Lac Guéret North Graphite Property in northeastern Quebec. This transaction means that Sunset Cove now owns 10,900 hectares in the Lac Guéret mining camp that is home to the Mason Graphite discovery. The terms of the option require a payment of \$ 90,000 that is payable in shares and in three installments over the next twelve months. The details of the \$90,000 purchase are a first payment of \$30,000 that will be paid by issuing 600,000 shares at \$0.05 on TSX approval of the transaction; \$30,000 will be paid in shares, at the market price, six months after the approval of the TSX and \$30,000 will be paid in shares, at the market price, twelve months after the approval of the TSX. If the company keeps the property, it will have to pay an additional \$60,000 in two installments \$30,000 that will be paid in shares, at the market price, eighteen months after the approval of the TSX and \$30,000 that will be paid in shares, at the market price, twenty four months after the first approval by the TSX.

#### **La Pause Gold Property**

On December 24, 2014 Sunset announced that it has finalized agreements to acquire 100% of the La Pause Property owned by Cartier Resources. The La Pause Gold property is made up of 36 claims, covering 1, 598 ha. is located only 2 km from the Mouska Mine, currently owned by Iamgold, and very close to two mining centers where mining activity has been going on for 100+ years; the Doyon-Bousquet-La Ronde gold mining complex and the prolific Larder Lake-Cadillac Break area.

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

---

#### ***Lac des Vents***

Sunset announced on January 27, 2015 that it has finalized an agreement to option 100% of the Lac des Vents property owned by Laurier Gold Corporation, a privately held company. The Lac des Vents acquisition is for 1.1 million shares and a cash payment of \$ 40,000 to be paid nine months from the closing of the transaction. Only when Sunset Cove Mining issues Laurier Gold Shareholders both the shares and cash aspects will Laurier Gold transfer 100% ownership of the claims making up the Lac des Vents property. Laurier Gold will retain a 2% NSR that can be reduced to 1% for a payment of \$500,000 on a portion of the property. One of these two agreements has them retaining a 2% NSR that can be reduced to 1% for a payment of \$500,000.

The Lac des Vents property, is made up of 44 claims and covering 2,516 ha. it is located approximately 60 Kms southwest of the city of Chibougamau and accessible regional highways and thereafter from the town of Chapais, for about 30 Kms to the south on gravel roads. The property is accessible year round by pick-up truck via gravel forestry roads. The property is situated roughly 40 km from the eastern end of the two hundred kilometre-long, east-west trending, Urban-Barry Greenstone Belt. This belt forms part of the Northern Volcanic Zone, which contains the Mattagami VMS camp, the Langlois VMS zinc-silver deposit (110 km SW of the Lac des Vents property), Metanor's Bachelor Lake gold mine (89 km west of the Lac des Vents property) and the past producing Joe Mann gold mine (34km east of the Lac des Vents property). This transaction and the related share issuances are subject to approval of the TSX Venture Exchange.

#### ***B&W Milling Inc.***

Sunset has founded B&W in January 2014 to leverage its intellectual capital and experience by seizing a strategic opportunity in the Peruvian mining industry where milling facilities are geographically distant from small mining activity.

Sunset owns 24% of B&W at December 31, 2015 (24% - March 31, 2015) with 5,000,000 shares evaluated at \$0.02. The investment has been accounted as an investment in an equity accounted investee.

The only large scale milling operations in Peru are located in the southern part of the country. B&W intends to build and operate a gold ore milling operation in northern Peru, close to established working small mines. Simple logistics, the elimination of onerous transportation costs, dictate the operation's success and potential profitability.

B&W intends to set up shop in, La Libertad, which is roughly 560 kms north of Lima. B&W's major competition is Dynacor's milling operation located in Nasca, roughly 457 kms to the south of Lima and two Peruvian milling companies located in Chala, south of Nasca. Mining operations using B&W's proposed milling operations in the north would benefit by eliminating more than a thousand kilometers of expensive transportation costs.

B&W is now seeking the capital required to build a gold milling operation in La Libertad, Peru.

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

---

**QUALIFIED PERSON**

Steve Park, P. Geo. and Alain Beauregard P. Geo. (before September 1, 2012) and Mike Dufresne, P. Geo. from Apex Geoscience (from September 1, 2012), are the Qualified Persons for the geological information contained in Sunset's public disclosures including press releases and are the Qualified Persons within the meaning of National Instrument 43-101.

Michelle Deakin, M.Sc., P. Geo., of APEX Geoscience, is the Qualified Person for the geological information contained in Sunset's public disclosures including press releases for the Lac des Vents acquisition.

**FINANCIAL POSITION AND LIQUIDITY**

The financial position of Sunset at December 31, 2015 is:

	<b>December 31, 2015</b>	March 31, 2015	December 31, 2014
	\$	\$	\$
Current assets	<b>346,947</b>	8,193	347,334
Non-current assets	<b>1</b>	1	67,843
<b>Total assets</b>	<b>348,948</b>	8,194	115,177
Current liabilities	<b>1,675,019</b>	1,579,455	552,100
Shareholder's Equity	<b>(1,326,070)</b>	(1,571,261)	(1,274,127)
<b>Total liabilities and Equity</b>	<b>348,949</b>	8,194	115,177
Working capital	<b>(1,327,072)</b>	(1,571,262)	(204,766)

Cash at December 31, 2015 was at \$346,988 compared to \$Nil at March 31, 2015. The Company raised \$426,564.98 in flow-through financing. Cash includes in-trust net \$333,908 (less finance charges and advances) to cover Flow-through expenses (see Note13-vii in the accompanied interim consolidated financial statements). As of December 31, 2015, Sunset had a working capital deficit of \$1,327,072 compared to \$1,571,261 at March 31, 2015.

The Company has been negatively impacted by the challenging financing environment faced by the junior mineral exploration industry. The company has not been able to raise significant capital to pursue its projects to their full potential.

In response to this challenging environment the Company has taken and continues to take certain initiatives in an effort to continue to operate. Namely:

# Sunset Cove Mining Inc.

## Management's, Discussion and Analysis

### December 31, 2015 and 2014

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- Significant cost cutting initiative by reducing personnel
- Spending freeze on most exploration activities
- Debt converted to shares
- Partial conversion of board dues owing to shares in the Company
- Loan to the Company by one of the Officers
- Loan to the Company by two of the Directors

Cash remains low and total liabilities still remain high and the Company's ability to continue to operate is dependent on its ability to raise funds in the capital markets

The loan payable is in the amount of \$100,937 as at December 31, 2015 (March 31, 2015 - \$98,725), is unsecured, payable on demand. A total of \$34,327 of the loans bear interest of 6.5% per annum.

Cash flows used in operating activities for the nine-month period ended December 31, 2015, were \$37,158 compared to \$86,319 used in the same period ended December 31, 2014. The net loss for the period was \$138,750 in 2015 compared to \$418,575 in 2014 for the same nine months.

Cash flows used in investing activities for the nine-month period ended December 31, 2015, were \$1Nil compared to \$Nil for the same periods ended December 31, 2014.

Cash flows from financing activities for the nine-month period ended December 31, 2015, was \$383,908 compared to \$179,176 for the same period ended December 31, 2014. The main driver of the variance between the two periods comes from net proceeds from share issuance \$383,908 in 2015.

Other current assets (excluding cash) at December 31, 2015 were \$1,960 compared to \$8,193 at March 31, 2015. Other current assets are Canadian sales tax receivable.

Net equipment at December 31, 2015 was \$Nil compared to \$Nil at March 31, 2015. There was no acquisition of capital assets during the nine-month period ending December 31, 2015. The Company has decided to write-off all equipment that are located in Peru in the year ended March 31, 2015.

The Company owns 5,000,000 shares (evaluated at \$0.02) in B&W Milling Inc. (the equity accounted investee) as at September 30, 2015 and March 31, 2015.

Summary financial information for the equity accounted investee, not adjusted for the percentage of ownership held by the Company is as follows:

	3-months December 31, 2015	9-months December 31, 2015	March 31, 2015	9-months December 31, 2015
<b>Ownership</b>	24%	24%	24%	24%
<b>Total Assets</b>	57,942	57,942	58,002	58,457
<b>Total Liabilities</b>	5,566	5,566	5,364	5,323
<b>Net Loss</b>	(142)	(202)	(117,897)	(117,313)

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

The Company's share of loss in its equity accounted investee for the three-month period ended December 31, 2015 was \$34 (24% of \$142) and \$48 (24% of \$202) for the 9-month period compared to a loss of \$26,155 (24% of \$117,313) for the 9-month period in 2014. B&W's operations have also been impacted by the challenges in financing in the mineral projects areas and the reduction in losses represents the slowed down in operations in developing its project.

The reconciliation of the investment is as follows:

	\$
<b>Balance, beginning of the period</b>	
Acquisition cost	100,000
Share of loss of the investee	(34,316)
<b>Balance March 31, 2014</b>	<b>65,684</b>
Share of loss of the investee	(28,295)
Amount owing to investee	(37,388)
<b>Balance March 31, 2015</b>	<b>1</b>
Share of loss of the investee	-
<b>Balance for the period ending June 30, 2015</b>	<b>1</b>
Share of loss of the investee	-
<b>Balance for the period ending September 30, 2015</b>	<b>1</b>
Share of loss of the investee	-
<b>Balance for the period ending December 31, 2015</b>	<b>1</b>

The loss has not been recorded in these financial statements as the investment is recorded at a nominal amount. The amount owing to investee is non-interest bearing, unsecured and is due on demand. It is expected that this amount will be repaid.

The Company received from its associate, B&W Mining Inc. advances totaling \$57,883 (as at March 31, 2015) which remain unchanged on December 31, 2015. Of the total amount owing to associate \$37,388 has been netted against the investment account in March 31, 2015, bringing the balance to \$1. The balance owed to associate is currently recorded as \$20,495 (\$57,883 - \$37,388). The advances bear no interest and have no fixed terms for repayment. It is expected that this loan from associate will be repaid.

Accounts payable and accrued liabilities were \$1,553,587 at December 31, 2015 compared to \$1,441,434 at March 31, 2015. Included in the accounts payable and accrued liabilities is an amount of \$931,679 (March 31, 2015 - \$816,996) due to related parties of the Company. (See related party transactions for additional information).

Shareholders' Equity was negative \$1,326,070 at December 31, 2015 compared to negative \$1,571,261 at March 31, 2015. The detail of the Shareholders' Equity is:

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

	<b>December 31, 2015 \$</b>	March 31, 2015 \$	December 31, 2014 \$
Share capital	<b>5,271,214</b>	4,947,025	4,834,525
Contributed surplus	<b>2,507,617</b>	2,447,898	2,447,898
	<b>7,778,831</b>	7,394,923	7,282,423
Accumulated comprehensive gain	<b>58,517</b>	58,518	74,554
Deficit	<b>(9,163,418)</b>	(9,024,702)	(8,663,626)
	<b>(9,104,901)</b>	(8,966,184)	(8,589,072)
	<b>(1,326,070)</b>	(1,571,261)	(1,306,649)

The Company is pursuing its strategy to reduce its liabilities and expects that this process will be terminated shortly and prior to March 31, 2016. In particular:

(i) The Company has entered into agreements with almost all of its trade creditors that were authorized to complete the settlement of debts pursuant to the partial revocation order. Upon completion and acceptance by the TSX Venture Exchange, a total of up to \$116,228, will be removed from the liabilities of the company in exchange for 2,324,555 shares issued at \$0.05 per share.

(ii) Upon authorization by the governing securities authorities, the Company expects to further reduce its liabilities by an additional \$60,000 dollars in exchange for 1,200,000 shares at \$0.05 per share.

(iii) In addition, members of management, board members and certain professional services providers have previously agreed to reduce or eliminate the amounts owed to them by the Company reducing the debt of \$914,966 by \$823,469, to \$91,497.

Along with the adjustments for certain claims which have been prescribed by law, or certain proposed transactions and upon completion of the foregoing it is anticipated that accounts payable and accrued liabilities as at December 31, 2015 of \$1,553,586, will be reduced by \$1,489,665 to \$63,921.

**CAPITAL RESOURCES**

***Common shares***

On August 12, 2014, the shareholders of the Company approved a one-for-ten consolidation of the common shares of the Company. All references to share and per share amounts in these consolidated financial statements are references to post-consolidation shares. As a result, comparative figures have been adjusted as if the consolidation had occurred since inception. As at December 31, 2014, the issued and outstanding common shares were reduced in the ratio of ten voting shares for one new share, and total number of shares was consolidated from 104,399,614 to 10,439,960 resulting in a 1 share adjustment to account for partial shares.

# Sunset Cove Mining Inc.

## Management's, Discussion and Analysis

### December 31, 2015 and 2014

---

As a result of the consolidation, basic and fully diluted net (loss) per common shares have been retrospectively adjusted.

The weighted average number of shares outstanding as at December 31, 2015 and March 31, 2015 is 12,314,651 (December 31, 2014 – 10,439,960) and there are 16,109,960 common shares outstanding at the date of this report. Sunset has the following authorized capital as at December 31, 2015: *Authorized*: An unlimited of common shares without par value:

#### Common Shares Issued:

- On September 6, 2012 Sunset completed a private placement of 2,951,809 Units issued in two tranches. Each Unit is comprised of one (1) common share of the Company at \$0.105 (Canadian dollar) per share and one half (1/2) share purchase warrant, with each share purchase warrant being exchangeable for one common share each at a price of \$0.18. The Warrant is subject to an "Acceleration Right". The warrants expire 18 months from closing of the financing, subject to an Acceleration Right in favor of the Company if the underlying shares close at a trading price of \$0.25 or higher for five (5) consecutive trading days, in accordance with the requirements of the TSX Venture Exchange. Kallpa Securities SAB of Lima, Peru ("Kallpa") acted as agent in the offering of Sunset's shares to qualified South American investors on a commercially reasonable best-efforts basis. The private placement was recorded for net proceeds of \$306,265 including a cash commission of 7% in the amount of \$3,675. Executives and directors subscribed for 145,238 units in the placement. An amount of \$191,867 was allocated to share capital and \$118,073 to warrants.
- In January and February 2013, Sunset received an amount of \$22,010 for a private placement closed after the end of the fiscal year (see note 11 B vii).
- On June 21, 2013 Sunset completed a first tranche of a private placement of 3,690,200 Units. Each Unit comprised one (1) common share of the Company at \$0.05 per share and one (1) share purchase warrant, with each share purchase warrant being exchangeable for one common share each at a price of \$0.10. The Warrant is subject to an "Acceleration Right". The warrants expire 18 months from closing of the financing, subject to an Acceleration Right in favor of the Company if the underlying shares close at a trading price of \$0.12 or higher for five (5) consecutive trading days, the expiry of the Warrants will accelerate and expiry will be twenty (20) days from issuance of a news release by the Company announcing the trigger of the Acceleration Right. The private placement was completed for net proceeds of \$162,500 (see note 11 B ii of the financial statements). A total amount of \$110,706 on the private placement was allocated to share capital and \$73,804 to warrants.
- On August 7, 2013 Sunset issued 1,700,000 Units at \$0.05. Each Unit consisting of one common share of the Company and one common share purchase warrant (each warrant entitles the holder thereof to acquire one additional common share for twenty four months following the approval by the regulatory authorities at a price of \$0.10 per share). The issuance was completed for the acquisition of the Lac Guéret West Graphite Property (Note 12) in north-eastern Quebec. A total amount of \$85,000 was accounted in the exploration expenses for the

# Sunset Cove Mining Inc.

## Management's, Discussion and Analysis

### December 31, 2015 and 2014

---

acquisition of the property including the estimated fair value of the warrants. A total amount of \$34,000 was allocated to share capital and \$51,000 to warrants.

- On August 22, 2013 Sunset completed a private placement of 3,323,334 Units. Each Unit is comprised of one (1) common share of the Company at \$0.03 (Canadian dollar) per share and one share purchase warrant, with each share purchase warrant being exchangeable for one common share each at a price of \$0.10. The Warrant is subject to an "Acceleration Right". The warrants expire 18 months from closing of the financing, subject to an Acceleration Right in favor of the Company if the underlying shares close at a trading price of \$0.12 or higher for five (5) consecutive trading days, the expiry of the Warrants will accelerate and expiry will be twenty (20) days from issuance of a news release by the Company announcing the trigger of the Acceleration Right. The private placement was recorded for net proceeds of \$99,700. A total amount of \$66,467 on the private placement was allocated to share capital and \$33,233 to warrants. Executives and directors subscribed for 1,175,000 units in the placement.
- On September 30, 2013 Sunset completed a private placement of 1,511,915 Units of Sunset at \$0.05 for a total proceed of \$75,596.
- On October 31, 2014 Sunset announced a private placement in the amount of \$148,500. A total of 2,970,000 common shares were issued at a price of \$0.05 per common share and each share was accompanied by one common share purchase warrant each whole warrant provides the holder the right to purchase one (1) additional share for \$0.10 per Share. The warrants expire in 18 months from the closing (April 2017). There are no acceleration rights on the warrants. The 2,970,000 Units issued under the private placement are subject to a four (4) month hold period, which will expire on February 26, 2015. A total amount of \$120,800 was allocated to share capital and \$27,700 to warrants.
- On February 24, 2015 Company issued 2,700,000 post consolidation shares at \$0.05 per common share in exchange of exploration properties located in the province of Québec, Canada.
- On December 23, 2015 the Company announced that it was granted a Partial Revocation Order of the Cease Trade Order ("CTO") by the BCSC. The original CTO was issued to the Company on August 6, 2015 for failure to file the Company's audited financial statements. Under the Partial Revocation order the Company arranged a private placement of 85,312,996 common flow-through (the "Shares") at a price of \$0.005 per Share for aggregate gross proceeds of \$426,564.98 (the "Offering"). The Agent was paid commission equal to 8% of the proceeds raised under the Offering and corporate finance fees equal to 2% of the proceeds raised. The Agent will also receive Agent's warrants equal to 10% of the Shares issued. Each Agent's warrant will entitle the Agent to purchase one common share at the offering price for a period of 24 months. The subscribers were advised of the Partial Revocation order and other conditions.

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

---

***Share purchase warrants***

As at December 31, 2015, the outstanding share purchase warrants were as follows:

<b>exercise price</b>	<b>Number outstanding and exercisable</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Expiry</b>
0.10	2,970,000	0.34	April 2016
0.005	8,531,299	2	December 2017
	<b>11,501,299</b>	<b>1.17</b>	

***Stock options***

As at December 31, 2015, all outstanding share purchase options as issued are as follows:

<b>Options granted and exercisable</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry</b>
286,000	1.50	September 2016
<b>286,000</b>	<b>1.50</b>	

For the current year ended March 31, 2016, no stock options were granted in the year.

To summarize:

	<b>Outstanding Shares</b>	<b>Warrants</b>	<b>Options</b>	<b>Fully Diluted</b>
<b>December 31, 2015</b>	101,422,956	11,501,299	286,000	113,210,255
<b>Feb. 23, 2016</b>	101,422,956	11,501,299	286,000	113,210,255

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

**RESULTS OF OPERATIONS**

The Company has currently no mining operations to generate sales and revenues. Detail for the period ended December 31, 2015 and 2014 are:

For the period ended December 31	Three months ended		Variance		Nine months ended		Variance	
	2015	2014	Increase /(Decrease)		2015	2014	Increase /(Decrease)	
	\$	\$	\$	%	\$	\$	\$	%
<b>Revenues</b>	-	-			-	-		
<b>Expenses</b>								
Bank charges and interest	330	1,604	(1,274)	-79%	4,161	4,991	(830)	-17%
Business Development		-	-			3,548	(3,548)	-100%
Depreciation of property and equipment		3,170	(3,170)	-100%		9,806	(9,806)	-100%
Exploration expenses (note 14)		-				2,700	(2,700)	-100%
Foreign exchange (gain) loss		1	(1)	-100%		768	(768)	-100%
Operating expenses	5,541	30,479	(24,938)	-82%	13,700	45,532	(31,832)	-70%
Professional and consulting fees	54,499	96,342	(41,843)	-43%	139,882	324,942	(185,060)	-57%
Write off on bank overdraft (gain)					(19,026)		(19,026)	
Travel Expenses		-			-	138	(138)	-100%
	<b>60,370</b>	<b>131,596</b>	<b>(71,226)</b>	<b>-54%</b>	<b>138,716</b>	<b>392,425</b>	<b>(253,709)</b>	<b>-65%</b>
<b>Net loss before other income (expense)</b>	<b>(60,370)</b>	<b>(131,596)</b>	<b>71,226</b>	<b>-54%</b>	<b>(138,716)</b>	<b>(392,425)</b>	<b>253,709</b>	<b>-65%</b>
<b>Other income (expense)</b>								
Share of loss in an equity accounted investee	-	(1,235)	1,235	-100%	-	(28,077)	28,077	-100%
<b>Net loss before income taxes</b>	<b>(60,370)</b>	<b>(132,831)</b>	<b>72,461</b>	<b>-55%</b>	<b>(138,716)</b>	<b>(420,502)</b>	<b>281,786</b>	<b>-67%</b>
<b>Deferred income taxes recovered</b>	<b>-</b>	<b>-</b>			<b>-</b>	<b>-</b>		
<b>Net loss for the year</b>	<b>(60,370)</b>	<b>(132,831)</b>	<b>72,461</b>	<b>-55%</b>	<b>(138,716)</b>	<b>(420,502)</b>	<b>281,786</b>	<b>-67%</b>
<b>Other comprehensive loss</b>								
Exchange on translation of foreign operations	5,240	(968)	6,208	-641%	(1)	1,927	(1,928)	-100%
	5,240	(968)	6,208	-641%	(1)	1,927	(1,928)	-100%
<b>Net Comprehensive loss for the period</b>	<b>(55,130)</b>	<b>(133,799)</b>	<b>78,669</b>	<b>-59%</b>	<b>(138,717)</b>	<b>(416,648)</b>	<b>277,931</b>	<b>-67%</b>

Total expenses for the 3-month period were \$60,370 compared to \$131,596 in the same period in 2014, down \$71,226 or 54%. Expenses for the 9-month period were \$138,716 compared to \$392,425, down \$253,709, down 65% for the same period in 2014. Due to the financial challenges faced by the Company and its closing of operations in Peru, expenses have dropped significantly from last year.

The curtailment of all operations has impacted the Company's expenses related to Professional and Consulting Fees and Operating Expenses. Included in professional and consulting fees are language translation costs, accounting, audit, legal fees and management compensation. Operating expenses are mainly for investor relations and filing fees to maintain quality information to investors and the capital markets through different information channels as well as the Company's web-site.

## **Sunset Cove Mining Inc.**

### **Management's, Discussion and Analysis**

#### **December 31, 2015 and 2014**

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There were no recorded traveling expense for this period or same period last year Travelling expenses are related to road shows and various trips to Peru to supervise and manage the exploration projects. Business development is related to the evaluation and geological opinions on different future exploration projects.

Under Canadian GAAP, the Company's policy was to capitalize all mining properties and exploration costs and assess the resulting asset for impairment on a periodic basis. Subsequent to the point of technical and economic feasibility, all costs must be evaluated against the capitalization criteria for property, plant and equipment and intangible assets. Under IFRS, the Company has chosen to expense all costs related to mineral exploration incurred prior to the point of defining a NI 43-101 compliant resource, attaining economic feasibility, and the acquisition of a mining permit.

Due to lack of financial resources the Company suspended all exploration activities. Total exploration cost for the nine and three month periods ended December 31, 2015 were \$Nil. In the comparative 9-month period, \$2,700 in exploration expenses were recorded Even though no work has been performed on the Carolay project since 2014, the \$2,700 represents an amount that which arose during the year.

On May 24, 2013 Sunset signed a mineral option agreement for 100% of the 10,800 hectare Lac Guéret West Graphite Property in north-eastern Quebec. The terms of the option require a payment of \$15,000 (accrued) and the issuance of 1,700,000 Units of Sunset (completed August 7, 2013) at \$0.05 for a total acquisition price of \$100,000. Each Unit consisting of one common share of the Company and one common share purchase warrant (each warrant entitles the holder thereof to acquire one additional common share for twenty four months following the approval by the regulatory authorities at a price of \$0.10 per share). Sunset must make \$200,000 in exploration and/or development work on the Property within 12 months after regulatory approval. Sunset Cove shall pay a net smelter royalty ("NSR") of 2% on all metals produced from the property and at any time have the right to buy back 1% of the NSR by paying \$1,000,000 to the vendors. Subsequent to March 31, 2014, the agreement with the property owner has been renegotiated to defer the \$15,000 payment by 6 months and postpone, by one year, the requisite exploration and/or development work.

Sunset Cove must make \$200,000 in exploration and/or development work on the Property within 12 months after regulatory approval. Sunset Cove shall pay a net smelter royalty ("NSR") of 2% on all metals produced from the property and at any time have the right to buy back 1% of the NSR by paying one \$1,000,000 to the vendors.

Mineral exploration and evaluation expenses on the properties may be subject to exploration and/or mining restrictions. At the date of this report, management is not aware of any restrictions to its exploration activities.

# Sunset Cove Mining Inc.

## Management's, Discussion and Analysis

### December 31, 2015 and 2014

#### SUMMARY QUARTERLY INFORMATION

Selected quarterly information for the most recently completed quarters is presented below in Canadian Currency (\$):

Quarter ended	Consolidated			Net loss/share (basic) \$	Net loss/share (fully diluted) \$	Shares (basic)	Shares (fully diluted)
	Revenues	Net Loss for the period	Net Comprehensive loss for the period				
	\$	\$	\$				
December 31, 2015	-	(60,370)	(55,130)	(0.003)	(0.003)	16,109,960	19,742,960
September 30, 2015	-	(45,264)	(65,263)	(0.004)	(0.003)	16,109,960	19,742,960
June 30, 2015	-	(33,082)	(18,324)	(0.001)	(0.001)	16,109,960	19,742,960
March 31, 2015	-	(361,076)	(377,003)	(0.023)	(0.019)	16,109,960	19,742,960
December 31, 2014	-	(132,831)	(133,799)	(0.013)	(0.012)	10,439,960	11,435,293
September 30, 2014	-	(153,598)	(156,636)	(0.015)	(0.013)	10,439,960	11,804,313
June 30, 2014	-	(134,073)	(128,140)	(0.012)	(0.011)	10,439,960	11,804,313
March 31, 2014	-	(221,351)	(192,635)	(0.018)	(0.016)	10,439,960	11,853,291

Since mid-2011, the junior mineral exploration industry in general has been struggling to access capital. The TSX-Venture exchange, which is heavily weighted in mining industry, has declined 58%, reflecting the malaise of the industry. In this environment, the Company's focus has been on cost cutting initiatives to minimize expenses until such time as capital markets improve and the Company is able to raise additional funds needed to fund exploration activities.

Expenditure at the Company have been declining over the last eight quarters. The jump in March 31, 2015 quarter is the result of write-offs associated with the Carolay property and an increase in exploration expenditures which are related to the issuance of shares for the acquisition of new mineral exploration properties.

In the current quarter all activities were generally suspended, as reflected in the lower losses for the period. During the quarter the Company focused on restructuring its operations, dealing with its listing requirements and closing a flow-through financing on December 23, 2015 (See heading Subsequent Events).

The differences between Net Operating Loss and Net Comprehensive Loss are primarily driven with the Foreign exchange gain or loss associated with the Company's Peruvian assets and liabilities. The Peruvian currency has been very volatile and has declined 21% against the Canadian dollar from its high in May to 2011 of 0.336 PNS per Canadian dollar, to its low of 0.406 PNS per Canadian dollar in April 2011 (data from www.XE.com). The average exchange rate used by the Company for the period was 0.392 PNS per Canadian dollar (see Functional Currency heading below) almost the same level it was on March 31, 2015. This generated an FX loss for the Company of \$1 against its Peruvian payables. (see December 31, 2015 Financial Statements note 20.)

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

**Additional Disclosures for Venture Issuers without Significant Revenue**

	<b>Carolay Silver Property</b>	<b>Lac Guéret West Graphite Property</b>	<b>Lac Guéret North Graphite Property</b>	<b>La Pause Gold Property</b>	<b>Lac des Vents Property</b>	<b>Total</b>
Exploration Expenditures Dec 31, 2014	2,700	-	-	-	-	2,700
General and Administrative Dec. 31, 2014						379,151
Exploration Expenditures Dec. 31, 2015	-	-	-	-	-	-
General and Administrative Dec. 31 2015						157,742

The exploration expenditures typically include acquisition costs and exploration costs. The costs associated to the Carolay property are exploration costs. The Company no longer owns the Carolay property and after deciding to abandon the project effectively March 31, 2015. The \$2,700 associated to the Carolay project in 2014 represents a payable which arose during the year and reported here. There has been no exploration on any properties in 2014 and 2015 due to cut backs and financial distress of the Company.

The General and Administration costs include the following Expenses from the statement of Comprehensive Loss: Bank Charges, Operating Expense and Professional and Consulting fees.

**TRANSACTIONS WITH RELATED PARTIES**

In addition to share issuances, transactions with related parties were as follows:

<b>For the 3-month period As at,</b>	<b>Dec. 30, 2015</b> <b>\$</b>	<b>Dec. 30, 2014</b> <b>\$</b>
Consulting fees paid to a company controlled by Marc Blais (x-Director & COO)	-	37,500
Consulting fees paid to a company controlled by Jacques Arsenault (CFO)	-	5,800
Legal fees paid to a company controlled by Newhouse Strategic Counsel	<b>2,183</b>	-
Consulting fees paid to Lorne Woods (President and Director)	<b>37,500</b>	37,500
Compensation paid to the Members of the Board (Board Fees)	-	15,500
	<b>39,683</b>	96,300

<b>For the 9-month period As at,</b>	<b>Dec. 30, 2015</b> <b>\$</b>	<b>Dec. 30, 2014</b> <b>\$</b>
Consulting fees paid to a company controlled by Marc Blais (x-Director & COO)	-	112,500
Consulting fees paid to a company controlled by Jacques Arsenault (CFO)	-	19,600
Legal fees paid to a company controlled by Newhouse Strategic Counsel	<b>2,183</b>	34,300
Consulting fees paid to Lorne Woods (President and Director)	<b>112,500</b>	112,500
Compensation paid to the Members of the Board (Board Fees)	-	46,500
	<b>114,683</b>	325,400

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

Amounts payable to related parties included in the non-current liabilities and in the accounts payable and accrued liabilities were as follows:

<b>As at,</b>	<b>December 31, 2015 \$</b>	<b>March 31, 2015 \$</b>
Consulting fees due to a company controlled by Jacques Arsenault (CFO)		51,100
Legal fees due to a company controlled by Newhouse Strategic Counsel	<b>2,183</b>	99,130
Total Compensation payable to all Directors		124,000
Compensation payable to Marc Blais (COO) and Lorne Woods (President)	<b>112,500</b>	542,765
	<b>114,683</b>	816,996

Marc Blais resigned as Director and Chief Operating Officer on February 15, 2015. All fees to Management and Directors were set by the Compensation Committee of the Company. Newhouse Strategic Counsel is the legal services firm of Mr. John Mavridis, solicitor, and member of the Bar of Quebec

**CONTINGENCIES**

On October 3, 2013, the court ruled in favor of the employee and ordered Minera Sunset to pay \$106,531 CAD (270,659 PNS). This claim has been accrued as at March 31, 2014. On October 11, 2013, Mineral sunset appealed the decision as management denies the claim and will vigorously defend it.

As at September 30, 2014, the Company was engaged in other small claims with an aggregate total of \$6,152 CAD (15,631 PNS) for which the outcome is undeterminable. No provision for these potential liabilities has been recorded in these consolidated financial statements.

**Sunset Cove Mining Inc.**  
**Management's, Discussion and Analysis**  
**December 31, 2015 and 2014**

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**CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICY**

***Statement of compliance***

These interim consolidated financial statements have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34.

***Basis of presentation***

The consolidated financial statement of the Company have been prepared using historical costs and fair values of certain items. Items measured at fair value include cash held in foreign currencies, warrant liability, and share based payments. Certain comparative figures have been reclassified to conform to the current year's presentation.

**Future accounting changes**  
**IFRS 9 Financial Instruments**

In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking 'expected loss' impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

For other significant accounting policies see Note 3 to the June 30, 2015 Interim Consolidated Financial Statements.

**SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

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#### ***Share-based -payments***

The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield.

#### ***Deferred taxes***

The Company assess the recoverability of deferred income tax assets to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

#### ***Valuation of equity units in private placements***

The Company uses the fair value method to value any warrants and broker warrants issued in private placements. The fair value assigned to warrants is recorded as a reduction to share capital and an increase to warrants. The fair value assigned to broker warrants is recorded as share issue costs and an increase to warrants. The fair value of each warrant is estimated on the date of the grant using the Black-Scholes warrant-pricing model. Warrant pricing models require the input of highly subjective assumptions, including the expected price volatility and changes in these assumptions can materially affect the fair value estimate.

#### ***Determination of cash generating units***

Cash generating units are identified as the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Since inception, the Company has not generated cash from operations; its sole potential cash generating unit is its investment in mining property.

#### ***Depreciation and impairment of property and equipment***

Management estimates the useful life of property and equipment for depreciation purposes. Indicators of impairment are subject to management's evaluation of the impact of various events. From time to time, management may identify immaterial classification errors on the face of the statement of financial position for prior periods which do not change net assets. Where such changes are noted, management will present the corrected reclassified caption on the comparative statement of financial position.

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

---

#### ***Impairment of non-financial assets***

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The most significant judgments relates to the calculation of the fair value of the options and warrants. From time to time, management may identify immaterial classification errors on the face of the statement of financial position for prior periods which do not change net assets. Where such changes are noted, management will present the corrected reclassified caption on the comparative statement of financial position.

#### **RISK AND UNCERTAINTIES**

Sunset's strategy emphasizes developing properties in order to leverage its intellectual property and drive the creation of shareholder value. This strategy has required, and continues to require, significant financings, and is subject to risks associated with mineral prices, mineral resources and operations. Due to the nature of the Company's business, the present stage of development of its mineral resource projects, and the constraints placed upon the Company's ability to move forward by its current liquidity situation, readers should carefully review and consider the financial, environmental and operational risk factors affecting the Company.

#### ***Need for Additional Financing***

The Company currently has no source of operating cash flow, and there is no assurance that additional funding will be available to the Company as and when needed for further exploration and development of its projects, or to fulfill its obligations to its existing creditors. Volatile markets may make it difficult or impossible for the Company to obtain adequate debt or equity financing in the future, or on terms acceptable to the Company. The failure to obtain additional financing could force the Company to liquidate its assets to satisfy creditor claims.

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

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#### ***No Production Revenues***

To date, the Company has not achieved revenue from mining operations. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, and the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of new properties and other factors, many of which are beyond the Company's control. In particular, the Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel, and equipment associated with advancing exploration, development and commercial production of its properties are added.

The Company does not expect to receive revenues from mining operations in the foreseeable future. The Company expects to continue to incur losses until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability.

#### ***Political and Economic Uncertainties of Operations in Foreign Countries***

Changes in the laws and regulations of foreign countries could have a material adverse impact on the business of the Company in respect of such countries. In particular, foreign currency exchange controls, expropriation of assets and profits, foreign ownership controls, and changes in taxation laws, could negatively affect the Company and its business. At the present time, Sunset is pursuing equity in projects located in countries where these conditions may occur.

#### ***Dependence on Management***

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key members of management and qualified personnel. The success of the operations and activities of the Company are dependent, to a significant extent, on the efforts and abilities of the management of the Company. Investors must be willing to rely, to a significant extent, on the discretion and judgment of the management of the Company. Furthermore, while the Company believes that it will be successful in attracting qualified personnel and retaining its current management team, there can be no assurance of such success. The Company does not maintain key employee insurance on any of its employees.

#### ***Competition***

The business of the Company is intensely competitive. The Company competes with other mining companies for the acquisition of mineral rich properties that can be developed economically, technical expertise and skilled labour in finding, developing and operating such properties and funding. The Company competes with other mining companies that have greater financial and technical resources and experience.

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

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Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a worldwide basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees, or to acquire the capital necessary to fund its operations and develop its properties. The inability of the Company to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operations and business.

#### ***Title of Mineral Property Rights***

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds concessions, mineral leases, licenses, or which are the subject of joint ventures, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. The Company does not carry title insurance with respect to any of its mineral properties in which it currently holds an interest. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to explore or mine that property, likely without compensation for its prior expenditures relating to the property.

#### ***Risks and Hazard Relating to Mineral Exploration and Exploitation***

Mineral exploration and exploitation involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

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#### ***Risks Relating to Government Regulation***

The Company's operations and properties are subject to laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labour standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes, royalties and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of the Company's permits and agreements, which could have a material adverse impact on the Company's current operations and future development projects. The Company may experience increased costs and delays in production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that the Company will be able to obtain all required permits on reasonable terms or on a timely basis.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions there under, including the loss of the Company's mining concessions, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

#### ***Regulations and Permits***

The Company will be required to obtain certain permits in order to carry on operations at its mineral properties. There is no guarantee that such permits, if and when required, will be granted or renewed on terms acceptable to the Company. Furthermore, the Company may be required to obtain additional licenses and permits from various governmental authorities to continue and expand its development and production activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required for future development, construction and operations.

The Company's activities are also subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects.

# **Sunset Cove Mining Inc.**

## **Management's, Discussion and Analysis**

### **December 31, 2015 and 2014**

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Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

#### ***Uninsurable Risks***

Mineral exploration and exploitation activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common shares of the Company. The Company does not maintain insurance against environmental risks.

#### ***Inability to Enforce Legal Rights in Certain Circumstances***

In the event a dispute arises in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are governed or located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities legislation.

#### ***Exchange Rate Fluctuations***

Exchange rate fluctuations may adversely affect the Company's financial position and results. The Company incurs certain costs in U.S. dollars, Peruvian Nuevo Soles, Euros and British Pounds, while financial results are reported in Canadian dollars. Currency exchange fluctuations may materially adversely affect the Company's future cash flows, results of operations and financial condition. The Company does not currently engage in hedging or have a policy in place for managing or controlling foreign currency risks.

#### ***Share Price Fluctuations***

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

#### ***Conflicts of Interest***

Certain of the Company's directors and officers may serve as directors or officers of other reporting companies, companies providing services to the Company, or companies in whom they may have significant shareholdings. To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation.

# Sunset Cove Mining Inc.

## Management's, Discussion and Analysis

### December 31, 2015 and 2014

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In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

#### ***Dividends Unlikely***

The Company has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further development of the Company's business.

#### ***Potential Dilution***

The issue of Common Shares of the Company upon the exercise of outstanding options and warrants will dilute the ownership interest of the Company's current Shareholders. The Company may also issue additional option and warrants or additional Common Shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

Readers are encouraged to read and consider the risk factors, which are incorporated in this MD&A, and additional information regarding the Company, the SEDAR website at [www.sedar.com](http://www.sedar.com).

Signed: "Lorne Woods"

Lorne Woods  
Chief Executive Officer

Sunset Cove Mining Inc.  
May 11, 2016  
Toronto, Ontario