



## **MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2015  
AND THE FOUR MONTHS ENDED DECEMBER 31, 2014**



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**Management Discussion and Analysis**  
*For the year ended December 31, 2015  
and the four months ended December 31, 2014*

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The following management discussion and analysis ("MD&A") of the results of operations and financial condition of Sunridge Gold Corp. (the "Company" or "Sunridge") should be read in conjunction with the accompanying audited consolidated financial statements and related notes thereto for the year ended December 31, 2015 and the four months ended December 31, 2014 (the "Financial Report").

In 2014, the Company changed its fiscal year-end from August 31 to December 31 to better align itself with its 60% owned Eritrean subsidiary, among other reasons. Accordingly, the Financial Report has been presented as at and for the year ended December 31, 2015 with comparative balances as at December 31, 2014 and comparative amounts for the four months ended December 31, 2014.

The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A contains information as at April 29, 2016, except as indicated.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of the Business**

Sunridge is incorporated under the laws of the Province of British Columbia and is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol SGC and on the OTCQX market place under the symbol SGCNF.

Sunridge has been engaged in the exploration and development of the Asmara Project in Eritrea, Africa through its 60% interest in Asmara Mining Share Company ("AMSC").

On April 26, 2016, Sunridge completed the sale of its 60% interest in AMSC to Sichuan Road & Bridge Mining Investment Development Corp. Ltd. ("SRBM") for US\$65,000,000 cash. In addition, SRBM assumed the obligation to pay Sunridge the remaining principal of the deferred payment of US\$13,330,000 (the "Deferred Payment") owed to the Company by the Eritrean National Mining Corporation ("ENAMCO").

Management intends to distribute these proceeds to shareholders as a return of capital after all obligations of the Company have been met and then to voluntarily dissolve.

### **Sale of Sunridge's interest in AMSC**

On April 26, 2016, Sunridge completed the sale of its 60% interest in AMSC to SRBM for US\$65,000,000 cash. In addition, SRBM assumed the obligation to pay Sunridge the remaining principal of the Deferred Payment. On closing, SRBM paid Sunridge US\$67,710,744 in cash comprising the US\$65,000,000 purchase price less income tax to the government of Eritrea of US\$3,289,256 plus the first US\$6,000,000 of the Deferred Payment. Also on closing, ENAMCO paid Sunridge the interest accrued on the Deferred Payment of US\$852,555. And finally, SRBM also delivered a bank guarantee to Sunridge as security for the remaining US\$7,330,000 of the Deferred Payment to be paid to Sunridge by October 26, 2016. ENAMCO will be responsible for interest owing to Sunridge



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on the US\$7,330,000 of the Deferred Payment from closing until it is paid. A financial advisor of Sunridge will be paid a transaction fee of US\$975,000, being 1.5% of the US\$65,000,000 purchase price.

The Company has outstanding 60,774,558 common share purchase warrants, that are subject to a warrant indenture dated October 18, 2012 and a supplemental warrant indenture dated October 21, 2013 (collectively, the "Warrant Indenture"), and that are listed for trading on the TSXV under the symbol SGC.WT. Each warrant is exercisable to acquire one common share of the Company at an exercise price of \$0.35 until October 18, 2017. The Warrant Indenture includes covenants by the Company that until the expiry date, it will use reasonable commercial efforts to maintain its corporate existence and carry on its business in the ordinary course, and that, subject to certain exceptions; it will maintain the listing of the warrants and its common shares on the TSXV. On January 22, 2016, the warrant holders approved that the Company will be authorized to de-list the warrants and that any warrants that have not been exercised on or before the warrant delisting date will be purchased and automatically cancelled, in consideration for the payment to the holders of such warrants of a cash amount of \$0.02 per warrant.

#### **Distributions and Dissolution**

On January 22, 2016, the shareholders of Sunridge approved the distribution of the net proceeds of the sale of AMSC as a return on capital to the shareholders in two tranches (the "Distributions") after satisfying all the liabilities of the Company followed by the eventual dissolution of Sunridge.

The Board will set the record date for the same shareholders of record to receive both Distributions.

The amount of the Distributions are subject to a number of risks and uncertainties, including settlement of obligations of the Company, taxation, currency exchange rates, exercise of stock options, exercise of broker warrants, exercise of share purchase warrants and the final outcome of the Company's appeal process with Delizia (see Contingency below). The Distributions are also subject to a number of provisions including payment of severance packages to the Company's terminated employees totaling \$1,960,000, the exercise of the option and then payment of US\$1,500,000 to purchase and cancel the 2% NPI on the Asmara Project held by the Perry Estate, and settlement of the WMC (Overseas) Pty Limited entitlement to the first US\$860,000 of revenue derived from the sale of any minerals mined from the Debarwa license.

The Company intends to de-list its shares from trading on the TSXV three days before the record date to allow the trades to settle in advance of the record date. The warrants subject to the Warrant Indenture that have not been exercised on or before the delisting date will be automatically cancelled, in consideration for the payment to the holders of such warrants of a cash amount of \$0.02 per warrant.

#### **Asmara Share Mining Company ("AMSC")**

The Asmara Project is held by AMSC of which the Company owned 60% of the shares and the ENAMCO owns 40% of the shares, with 30% being a participating interest purchased from the Company and 10% being a carried interest that ENAMCO was entitled to by law. AMSC operates under a shareholder's agreement executed June 27, 2014 (the "SHA"). The Company sold the 30% interest in AMSC to ENAMCO for US\$18,330,000 of which US\$5,000,000 has been received. Due to the sale of the Company's 60% interest in AMSC, US\$6,000,000 of the balance of the Purchase Price of US\$13,330,000 was received in April 2016 from SRBM and the remainder of US\$7,330,000 will be received 6 months thereafter from SRBM.



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### **Asmara Project**

On September 11, 2015, AMSC signed a mining agreement with the Eritrean Ministry of Energy and Mines and as a result AMSC was awarded three mining licenses on October 16, 2015. These mining licenses cover the four advanced projects (Emba Derho, Adi Nefas, Gupo Gold and Debarwa) that make up the Asmara Project. In addition, AMSC retained the exploration licenses which include the Adi Rassi and Kodadu deposits. The mining agreement and licenses gives AMSC exclusive rights to the mineral title and exclusive rights to conduct mining operations within the license areas for a 20 year term. The exploration licenses are valid until May 20, 2016 after which time they may be extended annually upon certain conditions being met.

The Asmara project is subject to historical underlying agreements:

- 1) Albert J. Perry holds a 2% net profits interest ("NPI") on all three licenses (the "Perry Option"); and
- 2) WMC (Overseas) Pty Limited will be entitled to the first US\$860,000 of revenue derived from the sale of any minerals mined from Debarwa (the "WMC Charge")

On July 30, 2015, the Company executed an agreement with the Estate of Albert J. Perry granting Sunridge a two-year option to purchase the Perry's 2% NPI. The Company paid the Perry Estate a non-refundable payment of \$97,695 (US\$75,000) and was granted a one-year option to purchase the NPI interest for US\$1,500,000. If the Company does not exercise this option within the first year then the Company has the option to pay the Perry Estate US\$125,000 for the option to purchase the NPI interest for a second year for US\$2,500,000.

The Company must exercise the Perry Option and settle the WMC Charge before receipt of the second and final tranche of the Deferred Payment.

The Asmara Project feasibility study (the "Study") dated effective May 16, 2013 (amended March 2014), demonstrated that mining the four advanced deposits that make up the Asmara Project (Emba Derho, Adi Nefas, Gupo Gold and Debarwa) and processing of the ore at a central location near the large Emba Derho deposit is economically robust with a pre-tax net present value ("NPV") of \$692 million (using a 10% discount rate) and with a pre-tax internal rate of return ("IRR") of 34%. The post-tax NPV is \$428 million with an IRR of 27%. The Study outlines a three-phase start-up mining operation which would begin with Phase 1A in 2015 of high-grade copper DSO production from the Debarwa deposit, followed by Phase 1B heap-leaching of near surface gold, Phase 2 supergene copper production, then zinc and copper at a full production rate of 4 million tonnes per year. At full production, the Asmara Mine will produce an average annual production of 65 million lbs (29,000 t) copper, 184 million lbs. (83,000 t) zinc, 42,000 oz gold, and 1 million oz silver over the first 8 years. The life of mine is 17 years.

### **Qualified Person**

Michael Hopley is the person responsible for preparation and verification of the technical information contained in this MD&A and is a qualified person and President and Chief Executive Officer of Sunridge.



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**Results of Operations**

**The loss for the year ended December 31, 2015 ("Current Year") was \$2,261,287 and the loss for the four months ended December 31, 2014 ("Comparative Period") was \$611,839.**

- Consulting fees and salaries, which include fees and salaries paid to the Company's executives and directors as well as support staff, were \$1,285,463 (\$457,620 in the Comparative Period). The pro-rata decrease in the Current Year relates primarily to a reduction in director fees and certain consultant salaries.
- Exploration and evaluation expenditures of \$84,569 (\$150,816 in the Comparative Period) relate to the exploration programs at the Kodadu and Adi Rassi projects. The Company performed very little work on the Kodadu and Adi Rassi projects during the Current Year as the Company was focused negotiations with SRBM and accordingly all exploration activity was suspended.
- Financial advisory fees of \$235,036 (\$46,448 in the Comparative Period) were paid to Endeavour Financial International Corporation ("Endeavour"). Endeavour was paid a monthly work fee in US funds however this agreement was terminated in November 2015 and accordingly Endeavour charged a fee of US\$62,719 upon termination.
- Investor relations fees of \$233,758 (\$145,341 in the Comparative Period) were paid to three investor relations consulting firms, all of which were terminated in November 2015.
- Professional fees were \$582,799 (\$127,999 in the Comparative Period) and were related to legal fees for the year. Legal fees were higher than would be expected for the Current Year and the Comparative Period due to the sale of AMSC and the contingency reported below in this MD&A.
- Travel expenses of \$150,897 (\$50,170 in the Comparative Period) relate primarily of travel to Eritrea of the executive management team.
- Interest expense of \$107,408 (\$Nil in the Comparative Period) relates to a credit facility with an arm's length party that posted an irrevocable standby letter of credit (the "LC") in June 2015 on Sunridge's behalf for a one year period for a fee equal to 9% per annum calculated on the face amount of the LC for the period it is outstanding. The LC was cancelled in April 2016. See the contingency reported below in this MD&A for full disclosure.
- The foreign exchange gain of \$727,468 (\$475,233 in the Comparative Period) is not realized and is a result of the revaluation of the Company's monetary assets, which include amounts due from non-controlling interest.

The remaining costs increased or decreased relatively insignificantly.



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**Selected Annual Information**

	<b>Fiscal Year Ended December 31 2015</b>	<b>Four months Ended December 31 2014</b>	<b>Fiscal Year Ended August 31 2014</b>
<b>Statement of Loss</b>	\$	\$	\$
Net revenues	Nil	Nil	Nil
Net loss	(2,261,287)	(611,839)	(5,728,780)
Net loss per share	(0.01)	(0.00)	(0.03)
<b>Financial Position</b>			
Total assets	32,592,151	30,178,954	28,682,783
Long term debt	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

**Summary of Quarterly Results**

The financial results for the three months ended December 31, September 30, June 30 and March 31, 2015, the four months ended December 31, 2014 and the three months ended August 31, May 31 and February 28, 2014 are summarized below:

	3 months ended December 31, 2015	3 months ended September 30, 2015	3 months ended June 30, 2015	3 months ended March 31, 2015	4 months ended December 31, 2014	3 months ended August 31, 2014	3 months ended May 31, 2014	3 months ended February 28, 2014
Total revenues	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Loss	(304,303)	(560,763)	(697,516)	(698,705)	(611,839)	(1,045,299)	(1,523,413)	(1,192,174)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.00)

**Fourth Quarter**

The Company began the fourth quarter with \$1,258,959 cash. During the three months ended December 31, 2015, the Company expended \$575,927 on operating activities, expended \$357,376 on investing activities, and received \$60,000 from the exercise of stock options and benefitted \$281,132 from non-controlling interest with a positive effect of foreign exchange on cash of \$5,396, to end the quarter and the fiscal year with \$672,184 in cash.



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### **Liquidity and Capital Resources**

The Company began the year with cash of \$3,950,488. In the Current Year, the Company expended \$3,131,536 on operating activities, expended \$1,573,204 on investing activities, received \$60,000 from the exercise of stock options and benefitted \$1,289,102 from non-controlling interest with a positive effect of foreign exchange on cash of \$77,334, to end on December 31, 2015 with \$672,184 in cash.

As at December 31, 2015, the Company had working capital of \$4,420,786, of which \$4,199,796 is due from non-controlling interest to be used exclusively to fund cash calls to AMSC. As noted above, Sunridge received US\$65,000,000 cash from the sale of AMSC in April 2016 and management intends to distribute these proceeds to shareholders after all obligations of the Company have been met and then voluntarily dissolve.

On March and April 2016, the Company issued 18,240 common shares on the exercise of broker warrants for gross proceeds of \$3,466. In April 2016, the Company issued 600,000 common shares on the exercise of options for gross proceeds of \$140,000.

At the date of this MD&A, the Company has 9,350,000 stock options that are in-the-money and if exercised will provide additional cash of \$2,237,000. Also at the date of this MD&A, the Company has 1,804,978 broker warrants that are in-the-money and if exercised will provide additional cash of \$343,799. The Company also has 60,774,558 share purchase warrants at exercise prices of \$0.35.

All shareholders of record on May 13, 2016 will be entitled to the Distributions as described above.

### **Contractual Obligations**

The Company has an obligation under its corporate office lease in Vancouver, B.C. until March 2018 as described in note 16 of the Financial Report.

### **Contingency**

On July 31, 2013, the Company was issued a provisional order of garnishment ("POG") by a Prothonotary of the Federal Court of Canada ordering that any debts owing or accruing from the Company to the State of Eritrea be paid into Court to answer the foreign arbitration judgment awarded to Delizia Limited ("Delizia") against the state of Eritrea in the amount of US\$4,371,618.

The arbitration award was based on a contract made over 10 years ago between Delizia and the State of Eritrea for the sale of equipment for which full payment was not received. The debt does not arise from any conduct or activities of the Company. The garnishment order was issued pursuant to international treaties for the enforcement of arbitral awards.

In response to a motion by Delizia to have the provisional order of garnishment converted into a final order of garnishment ("FOG"), on January 9, 2015, the Company was delivered a FOG ordering it to attach all debts owing and accruing from the Company to the State of Eritrea and to pay to the Court, for the benefit of Delizia, US\$4,371,618.



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In response to the FOG an irrevocable standby letter of credit (the "LC") in the amount of \$2,200,000 was posted in June 2015 on the Company's behalf in trust for Delizia. The Company arranged a credit facility with an arm's length party to post the LC on Sunridge's behalf for a one year period for a fee equal to 9% per annum calculated on the face amount of the LC for the period it is outstanding. As security for the LC, Sunridge pledged the shares of its 100% ownership of the Barbados subsidiary that indirectly owns the Company's 60% interest in the Asmara Project. During the year ended December 31, 2015, the Company recorded interest expense of \$107,408.

The Company negotiated a stay of the FOG based on the LC and appealed the decision to issue the FOG to the trial division of the Federal Court of Canada. The appeal was heard in November 2015.

On April 8, 2016, the Federal Court of Canada overturned both the POG and the FOG based on the appeal. Accordingly, the Company cancelled the LC in April 2016. Also in April 2016, Delizia delivered notice to the Company that it intends to appeal the decision to overturn the POG and the FOG to the Federal Court of Appeal.

Based on its assessment of the upcoming appeal, the Company has not recorded any amounts in the consolidated financial statements. The Company does not consider it probable that an outflow of resources will be used to settle the appeal.

**Transactions with Related Parties**

- a) The Company's related parties consist of a consulting company owned in whole by Doris Meyer, an executive officer and director of the Company, and an investor relations company owned in whole by Nicola Vermiere, the partner of Greg Davis, an executive officer of the Company, as follows:

<b>Name</b>	<b>Nature of transactions</b>
Golden Oak Corporate Services Ltd.	Consulting for corporate compliance, and financial reporting
NV Marketing Ltd.	Investor relations consulting

The Company incurred the following fees in the normal course of operations in connection with companies owned by key management and partners of key management.

	<b>Year ended December 31, 2015</b>	<b>Four months ended December 31, 2014</b>
Consulting fees	\$ 120,000	\$ 40,000
Investor relations	28,871	10,000
	<b>\$ 148,871</b>	<b>\$ 50,000</b>



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**b) Compensation of key management personnel**

The remuneration of directors and other members of key management personnel, which include the amounts disclosed above, during the periods ended December 31, 2015 and December 31, 2014 were as follows:

	<b>Year ended December 31, 2015</b>	<b>Four months ended December 31, 2014</b>
Salaries	\$ 860,000	\$ 264,746
Consulting fees	120,000	40,000
Director fees included in consulting fees and salaries	71,509	20,000
Investor relations	28,871	10,000
Share-based compensation	-	25,182
	<b>\$ 1,080,380</b>	<b>\$ 359,928</b>

As at December 31, 2015, an amount of \$4,413 (2014 - \$25,632) is due to certain officers and directors of the Company and is included in trade and other payables.

**Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**(i) Critical accounting estimates**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Carrying value and recoverability of mineral properties

Management has determined that acquisition, development and related costs incurred which have been capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

Estimated useful lives of equipment

The estimated useful lives of equipment which are included in the statements of financial position will impact the amount and timing of the related depreciation included in profit or loss.



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Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast 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 net deferred tax assets recorded at the date of the statement of financial position 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.

The Company has not recorded any deferred tax assets.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Capitalization of development costs

The application of the Company's accounting policy for development costs requires judgment in determining the timing at which to begin capitalizing development costs and whether future economic benefits, which are based on assumptions about future events and circumstances, may be realized.

Determination of functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of the parent Company is the Canadian dollar. The functional currency of the Company's wholly-owned Barbados subsidiaries as well as the functional currency of the Company's 60% owned Eritrean subsidiary is the US dollar.



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**New Standards, Interpretations and Amendments Not Yet Effective**

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2015, and have not been applied in preparing the Financial Report.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to IFRS 11, Joint Arrangements

Amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business

Effective for annual periods beginning on or after January 1, 2018:

- New standard IFRS 9, Financial Instruments

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

The Company has not early adopted these new and revised standards and none of these standards are expected to have a material effect on the consolidated financial statements.

**Financial Instruments and Risk Management**

**Financial Instruments**

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2015	December 31, 2014
Cash	FVTPL	\$672,184	\$3,950,488
Receivables	Loans and receivables	20,751	19,553
Due from non-controlling interest	Loans and receivables	4,199,796	4,265,641
Trade and other payables	Other liabilities	(541,019)	(779,322)



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The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, amounts due from non-controlling interest, and trade and other payables. The fair values of receivables, amounts due from non-controlling interest, and trade and other payables approximate their fair value due to their short-term nature. Cash is recorded at fair value using Level 1 of the fair value hierarchy.

### **Risk Management**

The Company's risk exposures and the impact on the Company's consolidated financial instruments are summarized as follows:

#### *Credit Risk*

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, receivables, and amounts due from non-controlling interest. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs. The Company's receivables are primarily related to tax credits receivable from the government of Canada, and as such, credit risk is not considered significant. The Company is exposed to credit risk on amounts due from non-controlling interest. Due from non-controlling interest is collectable from ENAMCO, an Eritrean state owned entity, and is to be used exclusively to fund cash calls to AMSC. Subsequent to year-end, the Company sold its interest in AMSC and accordingly sold its receivable from non-controlling interest.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next sixty days.



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*Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

- (a) **Interest Rate Risk:** The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.
- (b) **Foreign Exchange Risk:** As at December 31, 2015, the majority of the Company's cash was held in Canada in Canadian and US dollars. The Company's significant operations are carried out in Eritrea. As a result, a portion of the Company's working capital is denominated in Nakfa and United States dollars and is therefore subject to fluctuation in exchange rates. The government of Eritrea has fixed the exchange rate of Nakfa as 15 Nakfa for one United States dollar.

At December 31, 2015, the Company is exposed to foreign currency risk through the following financial assets and liabilities held in the following United States dollar equivalents:

Cash	\$	131,773
Due from non-controlling interest		3,034,535
Trade and other payables		(298,788)
	\$	2,867,520

Based on the above net exposures at December 31, 2015, a 1% appreciation (depreciation) of the United States dollar against the Canadian dollar, with all other variables held constant, would result in approximately a \$29,000 increase (decrease) in profit or loss for the period. The Company has not hedged its exposure to currency fluctuations.

- (c) **Commodity Price Risk:** While the value of the Company's mineral properties are related to the price of gold, copper, zinc and other metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities.

Historically, the price of gold, copper, zinc and other metals has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold, copper, zinc and other metals.

*Political Uncertainty*

In conducting operations in Eritrea, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Eritrea and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.



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

The components of expensed exploration and capitalized acquisition and mineral property costs are described in note 8 of the Financial Report.

**Outstanding Share Data as at the date of this MD&A**

Authorized: an unlimited number of common shares without par value.	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Stock Options	Broker Warrants*
Outstanding as at December 31, 2015	210,244,982	60,774,558	13,250,000	1,823,218
Exercise of broker warrants	18,240	18,240	-	(18,240)
Exercise of options	600,000	-	(600,000)	-
Outstanding as at the date of this MD&A	210,863,222	60,792,798	12,650,000	1,804,978

\* 28,429 broker warrants are exercisable into one unit with each unit consisting of one common share and one-half of one common share purchase warrant. 1,776,549 broker warrants are exercisable into one unit with each unit consisting of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.35 until October 18, 2017.

**Forward Looking Statements**

This MD&A may include or incorporate by reference certain statements or disclosures that constitute “forward-looking information” under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that Company or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Company and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although the Company believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of the Company is subject to a number of risks and uncertainties, including those risk factors discussed under “Risk Factors” elsewhere in this MD&A and the documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, of the Company may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated



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and the four months ended December 31, 2014*

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by the Company will be realized or, even if substantially realized, that they will have the expected consequences for the Company.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Unless otherwise required by law, the Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and the Company does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

### **Risks**

The business and operations of the Company are highly speculative due to the high-risk nature of its business in the mining industry, including but not limited to the acquisition, financing, exploration and development of its mineral properties. That said, given that the Company sold its only remaining mineral property on April 25, 2016 and intends to distribute all of its cash to shareholders and voluntarily dissolve, the Company is not considered to be susceptible to the risks normally associated with exploration and development companies in the mining industry.

Risks associated with the intended distribution to shareholders are described above.

### **Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.sunridgegold.com](http://www.sunridgegold.com).