October 21, 2019

**Notice to Reader**

Subject: Sulliden Mining Capital Inc., MD&A for the period ending July 31, 2019

The following Management Discussion and Analysis ("MD&A") of Sulliden Mining Capital Inc. has been revised from the previous version to adjust the effective date noted on the MD&A from October 16, 2019 to October 17, 2019. No figures or information reported was changed.

We apologize for any confusion this may cause.

Sulliden Mining Capital Inc.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## For the quarters and years ended July 31, 2019 and 2018

**(Expressed in Canadian dollars)**

## SULLIDEN MINING CAPITAL INC.

**(an exploration stage mining company)**

65 Queen Street West, Suite 800
Toronto, ON   M5H 2M5

**Date: October 17, 2019**

## INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Sulliden Mining Capital Inc. ("we", "our", "us", the "Company" or "SMC") provides a discussion and analysis of the operations, results, and financial condition of the Company for the quarters and years ended July 31, 2019 and 2018, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended July 31, 2019. This discussion covers the period for the year ended July 31, 2019 and the subsequent period up to the date of this MD&A. Other pertinent information about the Company is available on SEDAR at www.sedar.com as well as on the Company's website at www.sulliden.com.

For the purpose of preparing our MD&A, the Company considers the materiality of information. Information is considered material if in the opinion of management: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information that also involves numerous risks and uncertainties. Actual results of the Company's business and operations could differ materially from those discussed in such forward-looking information as a result of the risks and uncertainties faced by the Company, including those set forth in this MD&A under "Forward-looking Information and Cautionary Statements", "Risk and Uncertainties", and as discussed in the Company's annual information form (AIF) which is available under the Company's profile at www.sedar.com.

References to the first, second, third and fourth quarters of 2019 and 2018 or Q1-, Q2-, Q3- and Q4-2019 and Q1-, Q2-, Q3 and Q4-2018 mean the quarters ending October 31, 2018, January 31, 2019, April 30, 2019 and July 31, 2019, and October 31, 2017, January 31, 2018, April 30, 2018 and July 31, 2018, respectively.

Stéphane Amireault, P.Eng (B.Eng; MScA), is the Company's Qualified Person for geology for the purposes of National Instrument 43-101 ("NI 43-101"). Mr. Amireault has reviewed and approved the respective scientific and technical disclosure in this MD&A.

## UPDATE AND OUTLOOK

The Company was incorporated on June 10, 2014 as a wholly owned subsidiary of the former Sulliden Gold Corporation Ltd. ("Sulliden"). Pursuant to a statutory plan of arrangement (the "Arrangement") under section 182 of the *Business Corporations Act* (Ontario) among the Company, Sulliden and Rio Alto Mining Limited ("Rio Alto"), all of the issued and outstanding common shares of Sulliden were, effective August 5, 2014, exchanged for 0.525 of a common share of Rio Alto and 0.10 of a common share of the Company. Effective August 11, 2014, the common shares of the Company commenced trading on the Toronto Stock Exchange under the symbol SMC.

Upon completion of the Arrangement, the Company assumed Sulliden's interests in the East Sullivan Property, valued in the amount of $133,538 and the Company was capitalized with $24,760,514 in cash.

In May 2016, Sulliden Moçambique Ltd. was incorporated in Mozambique and is a 100% owned subsidiary of the Company. 2507868 Ontario Inc. ("2507868") was a 100% subsidiary of the Company and holds the option for the Troilus project. The Company owns a 98% interest in the issued and outstanding shares of Daos International Ltd. ("Daos"), a Mauritius company.

In June 2017 and amended in September 2017 and October 2017, the Company entered an agreement with Pitchblack Resources Ltd. ("Pitchblack") to sell its interest in 2507868 for shares of Pitchblack. Upon completion of the transaction, on December 20, 2017, the Company received 15,000,000 shares of Troilus Gold Corp. (formerly Pitchblack) ("Troilus"), on a post consolidation basis, with a fair market value of $24,600,000 resulting in a gain on disposition of 2507868 and the Troilus project of $23,614,336. As at the date of the transaction, the 15,000,000 shares represented approximately 36% of the issued and outstanding shares of Troilus. As at July 31, 2019, the Company owned a 12.5% interest in Troilus.

## EAST SULLIVAN PROPERTY

The Company's exploration property is located in the Abitibi region of Québec, about five kilometres southeast from the city of Val-d'Or. The property forms a single claim block that consists of 13 contiguous staked claims registered in 1981 for a total area of 334 ha.

The Company holds a 100% interest in these claims, which are all in good standing and not subjected to any royalty agreement. In Québec, staked mining claims require a $1,000 payment or work equivalent to be renewed on a two-year anniversary cycle. Suitable banked assessment credits originally generated by completing and filing eligible exploration work may be distributed on contiguous claims. Effective August 19, 2013, Sulliden Gold Corporation Ltd. had accumulated credits for a total of $1,083,514. Effective December 10, 2013, accumulated assessment credits have a period of validity of the longer of twelve years or twelve years after filing for eligible assessment work.

The Company's exploration property is on public land, and permits would be obtained from the Ministère des Ressources Naturelles du Québec ("MRN") for machinery access, for drilling, or mechanical trenching activities.

There are no surface rights associated to the land holding, but exploration work would be coordinated with other land users including the MRN, the Québec Environment and Sustainable Development Ministry ("MDDP"), the City of Val-d'Or and Agnico-Eagle's Goldex-Manitou project managers in the area occupied by a tailings pile. The tailings pile left by the former East-Sullivan Mines has been rehabilitated by the MRN and a certificate of authorization issued by the MDDP is required before initiating a drill program from the tailings surface or the containment dam.

The exploration property includes the past producing site of the East-Sullivan Mine. This historical exploitation of copper-zinc (gold-silver) massive sulphide lenses left mining infrastructure and a large tailings pile covering the central part of the property. After closure of the mine in 1966, the site was abandoned and declared an orphan site by the government of Québec, and is still listed as such. The site was among the first to be reclaimed by the Québec Government in the early 1980's, because of acid drainage problems caused by the pyrite-rich tailings. Wood waste covering of the tailings pile to reduce oxidation by rain water was initiated in 1984. In addition, the pile was surrounded by a containment dam between 1992 and 1996. In 1998, a recirculation circuit was introduced by pumping the outflow water from the impoundment to the tailings pile, throughout the organic cover.

There is no direct liability for past production on the property for the Company, but future exploration and exploitation activities will have to be carried out in coordination with governmental representatives in order to keep the integrity of the tailings confinement system. Ultimately, the tailings pile can be further secured and used for tailings disposal in the case of any future production by constructing appropriate containment facilities for tailings and waste material.

***Mineral Resource Estimate***

There are no current mineral reserves or mineral resources for the exploration property. Further details relating to the exploration property can be found in the technical report (NI-43-101) titled *Technical Report on the East Sullivan Property, Abitibi, Quebec,* which is filed on SEDAR at www.sedar.com.

In the last quarter, additional compilation was completed to generate drill targets on the East Sullivan Property.

The compilation consisted in the following activities:

- Additional data extraction form the dataset that was acquired from the Ministry of Energy and Natural resources (MERN) in 2014. The data extraction and compilation focussed on the eastern part of the property.
- Connexion between the historical data compiled so far and the current geographical system in use in Québec.
- Initial geological modelling in the areas compiled.

## RESULTS OF OPERATIONS

For the three months ended July 31, 2019

For the three months ended July 31, 2019, the Company reported a net loss of $239,148 (or $0.01 per share), compared to a net loss of $1,083,056 for the three months ended July 31, 2018 (or $0.03 per share). Net comprehensive loss was $225,183 for the three months ended July 31, 2019 (three months ended July 31, 2018: comprehensive loss of $1,090,981).

*Share-based compensation expense*

Share-based compensation was $29,101 for the three months ended July 31, 2019 compared to $90,887 for the three months ended July 31, 2018. Share-based compensation expense relates to Restricted Share Units ("**RSUs**") and Deferred Share Units ("**DSUs**") granted to directors, officers, employees and consultants of the Company.

| | **Q4-2019** | **Q4-2018** |
|---|---|---|
| Restricted share units | $ 24,886 | $ 170,719 |
| Deferred share units | 4,215 | (79,832) |
| | $ 29,101 | $ 90,887 |

During the three months ended July 31, 2019 and the three months ended July 31, 2018, the Company did not grant RSUs, DSUs or options to directors, officers, employees and consultants of the Company. The Company incurred share-based payment expenses related to accruals and/or vesting of the RSUs and DSUs granted during prior periods. The value of the DSUs is based on the Company's share price which increased during the quarter and decreased in the same period in the prior year.

As a result of the Company adopting the RSU and DSU plans in 2014, as at July 31, 2019, the Company has allocated an aggregate of 7,345,000 RSUs to employees of the Company and an aggregate of 1,350,000 DSUs to the Company's independent directors.

Each RSU entitles an employee of the Company to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. Of the 7,345,000 RSUs, 416,666 RSUs were cancelled, 3,000,000 RSUs vested in three equal tranches, on each of January 1, 2015, January 1, 2016 and January 1, 2017; 500,000 RSUs vested in three equal tranches on each of January 5, 2017, January 5, 2018 and January 5, 2019; 875,000 RSUs vested in three equal tranches on each of February 1, 2016, February 1, 2017 and February 1, 2018 and 2,553,334 RSUs, of which 990,000 vested on June 1, 2018, 906,667 vested on February 1, 2019 and 656,667 will vest on February 1, 2020. At July 31, 2019, no shares remained in treasury with the trustee and shares had not been issued for 958,335 of the 990,000 RSUs that vested on June 1, 2018, 166,667 of the RSUs that vested on January 5, 2019 and 906,667 of the RSUs that vested on February 1, 2019.

Each DSU entitles the holder to receive a cash payment equal to the market price of one common share of the Company upon ceasing to hold office. As at July 31, 2019, 1,065,841 DSU's that are issued for current directors are fully vested, and 7,897 DSUs that are currently issued vest based on the pro-rata number of days each independent director remains a director of the Company until February 1, 2020, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

*Professional, consulting and management fees*

Professional, consulting and management fees of $64,793 were incurred for the three months ended July 31, 2019 compared to $414,010 for the three months ended July 31, 2018 as follows:

| | | **Q4-2019** | | **Q4-2018** |
|---|---|---|---|---|
| Salaries and benefits | $ | 75,906 | $ | 81,325 |
| Directors fees | | 18,750 | | 25,000 |
| Consulting fees | | 176,723 | | 125,457 |
| Legal, audit and professional fees | | (206,586) | | 182,228 |
| | $ | 64,793 | $ | 414,010 |

Spend on salaries and benefits was lower in Q4-2019 as a consultant of the Company resigned during the year ending July 31, 2018. Consulting fees are higher in Q4-2019 compared to Q4-2018 due to additional payments to consultants during Q4-2019 and increases in monthly fees. The Company recorded a recovery of legal, audit and professional fees during Q4-2019 as a result of recovery of costs associated with the sale of certain Daos assets.

*General and administrative expenses*

General and administrative expenses for the three-month periods are reflected in the table below:

| | | **Q4-2019** | | **Q4-2018** |
|---|---|---|---|---|
| General and office | $ | 52,934 | $ | 56,160 |
| Shareholder communication | | 6,992 | | 7,207 |
| Travel and accommodation | | 182,670 | | 5,185 |
| | $ | 242,596 | $ | 68,552 |

General and office costs and shareholder communications were slightly lower during Q4-2019 compared to Q4-2018. Travel costs during Q4-2019 were higher than the comparative period and incurred for business development and promotional activities.

*Other*

The Company's other expenses during Q4-2019 resulted primarily from realized losses of $552,783 that were offset by unrealized gains in investments of $659,366 on securities that are classified as fair value through profit or loss ("FVTPL"). During the comparative period ended July 31, 2018, the Company recorded an unrealized loss of $3,734,430 and realized losses of $1,044,721. See Related Party Disclosures section of this report.

As the Company was considered to have significant influence in Troilus up to January 24, 2019 and was considered to have significant influence in Aguia Resources Limited ("Aguia") up to April 12, 2018, these investments were accounted for using the equity method. Consequently, the Company recorded a gain from investment in associate of $nil for the three months ended July 31, 2019 (three months ended July 31, 2018 - $3,493,330) of which $nil represents a proportionate share of Troilus' net loss (three months ended July 31, 2018 - $597,672), $nil represents an adjustment for the difference in accounting policy related to exploration and evaluation expenditures (three months ended July 31, 2018 - $2,166,507) and $nil represents a gain on dilution of the Company's interest in Troilus (three months ended July 31, 2018 - $1,924,495).

<u>For the year ended July 31, 2019</u>

For the year ended July 31, 2019, the Company reported a net loss of $21,826,770 (or $0.53 per share), compared to net income of $13,318,070 for the year ended July 31, 2018 (or $0.32 per share). Net comprehensive loss was $21,830,916 for the year ended July 31, 2019 (year ended July 31, 2018: comprehensive income of $13,446,468). The Company's income during 2018 resulted primarily from its gain on disposition of 2507868 and the Troilus project of $23,614,336.

*Share-based compensation expense*

Share-based compensation was $43,054 for the year ended July 31, 2019 compared to an expense of $915,144 for the year ended July 31, 2018. Share-based compensation expense relates to (a) Restricted Share Units ("**RSUs**") and Deferred Share Units ("**DSUs**") and (b) share-based compensation costs from the granting of share purchase options to employees, directors and consultants of the Company.

| | | **2019** | | **2018** |
|---|---|---|---|---|
| Share purchase options | $ | - | $ | 215,678 |
| Restricted share units | | 188,223 | | 628,302 |
| Deferred share units | | (145,169) | | 71,164 |
| | $ | 43,054 | $ | 915,144 |

During the year ended July 31, 2019, the Company did not grant RSUs, DSUs or options to directors, officers, employees and consultants of the Company. The Company incurred share-based payment expenses related to accruals and/or vesting of the RSUs and DSUs granted during prior periods. The expense for RSUs was lower for the current period due to the cancellation of unvested RSUs granted during prior periods. The value of the DSUs is based on the Company's share price which decreased during the period.

*Professional, consulting and management fees*

Professional, consulting and management fees of $1,204,346 were incurred for the year ended July 31, 2019 compared to $3,767,627 for the year ended July 31, 2018 as follows:

| | 2019 | 2018 |
|---|---|---|
| Salaries and benefits | $ 271,892 | $ 760,125 |
| Directors fees | 81,597 | 100,000 |
| Consulting fees | 782,357 | 2,281,903 |
| Legal, audit and professional fees | 68,500 | 625,599 |
| | $ 1,204,346 | $ 3,767,627 |

Spend on salaries and benefits was lower in the year ended July 31, 2019 as some officers, employees and consultants of the Company resigned during the year ended July 31, 2018 to join the management of Troilus. Consulting fees are lower during the year ended July 31, 2019 compared to the year ended July 31, 2018 due to bonuses granted in the prior period to consultants associated with the successful completion of the sale of 2507868 and the Troilus project. Legal, audit and professional fees were lower during 2019 compared to 2018. Legal costs in the prior period included costs associated with the sale of the Daos assets which the Company was in the process of selling. The Company recorded a recovery of some of these costs in the current year on the sale of these assets.

*General and administrative expenses*

General and administrative expenses for the year are reflected in the table below:

| | Year ended July 31, 2019 | 2018 |
|---|---|---|
| General and office | $ 208,040 | $ 226,416 |
| Shareholder communication | 73,051 | 152,023 |
| Travel and accommodation | 288,075 | 254,799 |
| | $ 569,166 | $ 633,238 |

General and office costs were lower during 2019 compared to 2018 as a result of a decrease in the Company's contractual fee for its shared office space as well as the cancellation of certain services. Shareholder communication costs were higher in 2018 as a result of additional costs incurred related to the Troilus transaction. Travel costs incurred during 2019 related to business development and promotional activities. Travel costs during 2018 were mainly related to the sale of the Troilus property.

*Other*

The Company's other expenses during the year ended July 31, 2019 resulted primarily from realized losses of $11,027,102 on the sale of investments. The Company also incurred an unrealized loss in investments of $7,168,294 on securities that are classified as FVTPL. During the comparative period ended July 31, 2018, the Company recorded a realized gain of $442,455 that was offset by an unrealized loss of $3,415,238. See Related Party Disclosures section of this report.

As the Company was considered to have significant influence in Troilus up to January 24, 2019 and was considered to have significant influence in Aguia up to April 12, 2018, these investments were accounted for using the equity method. Consequently, the Company recorded a loss from investment in associate of $1,833,100 for the year ended July 31, 2019 (year ended July 31, 2018: $1,926,912) of which $nil represents a proportionate share of Aguia's net loss (year ended July 31, 2018: $242,315), $261,433 represents a proportionate share of Troilus' net loss (year ended July 31, 2018 - $3,609,092) and $1,571,667 represents a loss on dilution of the Company's investment in Troilus (year ended July 31, 2018 – gain of $1,924,495).

**ANNUAL RESULTS**

| | Years ended July 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| **Consolidated statements of operations** | | | |
| Interest income | $ 25,225 | $ 40,770 | $ 17,580 |
| Net (loss)/income | $ (21,826,770) | $ 13,318,070 | $ (4,926,289) |
| Net (loss)/income and comprehensive (loss)/income | $ (21,830,916) | $ 13,446,468 | $ (5,105,703) |
| Basic net (loss)/income per share | $ (0.53) | $ 0.32 | $ (0.13) |
| Diluted net (loss)/income per share | $ (0.53) | $ 0.32 | $ (0.13) |

**SUMMARY OF QUARTERLY RESULTS**

| | July 31, 2019 Q4-2019 | April 30, 2019 Q3-2019 | January 31, 2019 Q2-2019 | October 31, 2018 Q1-2019 |
|---|---|---|---|---|
| Interest income | $ 12,352 | $ 4,989 | $ 675 | $ 7,209 |
| Net (loss) | (239,148) | (4,070,752) | (13,897,314) | (3,619,556) |
| Net (loss) and comprehensive (loss) | (225,183) | (4,084,356) | (13,896,195) | (3,625,182) |
| Basic and diluted net (loss) per share | (0.01) | (0.10) | (0.34) | (0.09) |
| Total assets | 13,396,539 | 13,402,784 | 17,429,061 | 31,867,732 |

| | July 31, 2018 Q4-2018 | April 30, 2018 Q3-2018 | January 31, 2018 Q2-2018 | October 31, 2017 Q1-2018 |
|---|---|---|---|---|
| Interest income | $ 10,960 | $ 10,083 | $ 10,188 | $ 9,539 |
| Net (loss)/income | (1,083,056) | (7,496,631) | 19,118,342 | 2,779,415 |
| Net (loss)/income and comprehensive (loss)/income | (1,090,981) | (7,331,250) | 19,034,354 | 2,834,345 |
| Basic and diluted net (loss)/income per share | (0.03) | (0.18) | 0.47 | 0.07 |
| Total assets | 35,572,863 | 36,850,397 | 44,204,053 | 23,869,299 |

The granting of stock options, RSUs and DSUs and bonuses in a particular quarter gives rise to stock-based compensation expense. This can generate fluctuations in expense and net income or loss quarter over quarter. As well, fluctuations in market prices of securities causes volatility in net income or loss through unrealized gains, as well as through the sale of securities. In Q1-2018, Q3-2019 and Q4-2019, mark-to-market fluctuations resulted in gains generating income during the quarter while in Q2-2019, Q1-2019, Q4-2018 and Q3-2018, mark-to-market fluctuations resulted in losses. The Company realized gains and losses on the sale of investments in several of these quarters. The sale of 2507868 (a previously wholly owned subsidiary of the Company) in Q2-2018 resulted in a gain on disposition. Comprehensive loss accounts for foreign exchange translation changes related to the Company's subsidiary

Total assets also vary as a result of the fluctuations in market prices of securities as well as the sale of securities as these investments make up a large proportion of total assets. The Company had been investing in the Troilus project up until Q2-2018. The Troilus expenses were being capitalized.

## FINANCIAL POSITION

As at July 31, 2019, the Company held cash and cash equivalents of $77,749 (July 31, 2018: $428,968), investments at fair market value through profit and loss of $12,213,432 (July 31, 2018: $12,371,859), and loans receivable of $558,472 (July 31, 2018: $368,987). The loans receivable at July 31, 2019, were loans receivable from Trigon Metals Inc. ("Trigon"), Fura Gems Inc. ("Fura") and Brazil Potash Corp. ("Brazil Potash"). The loan receivable as at July 31, 2018 represented an unsecured convertible promissory note that was converted to shares of Halo Labs Inc. on September 28, 2018.

During the year ending July 31, 2016, the Company impaired a loan receivable from APIO Africa Ltd. ("APIO") by $2,195,900. An amount of US$1,750,000 ($2,195,000) was owed by APIO to the Company. The maturity date of this loan was May 3, 2016. APIO defaulted on the loan, and the Company exercised its security against the assets of APIO by taking shares in APIO's subsidiary, Daos. Daos, through its 75% owned subsidiary, owns a data centre and various assets associated with this data centre. It was the intention of the Company to sell these assets to try to recoup some of the outstanding APIO loan. During the year ended July 31, 2018, Daos entered into an agreement to sell its 75% interest in a Mozambique company in exchange for common shares of Global Blockchain Technologies Corp. (the "Bloc shares").

The transaction closed during the year ended July 31, 2019 and the Bloc shares were sold for proceeds of $66,730. As at July 31, 2019, the investment in Daos is treated as an asset held for sale, with the fair value of assets estimated at $nil and the fair value of liabilities estimated at $nil.

Mineral and exploration assets consist of the Company's interest in the East Sullivan property discussed above.

On January 24, 2019, the Company re-assessed the level of influence that the Company had with respect to Troilus and determined it no longer had significant influence. As a result, the Company's retained interest in Troilus has been recognized as a financial asset and is included in investments at fair market value through profit and loss.

Accounts payable and accrued liabilities totaling $564,787 at July 31, 2019 (July 31, 2018 - $1,098,418) are comprised primarily of amounts payable of $289,225 and accrued liabilities of $275,562. Included in accrued liabilities is a DSU liability of $120,916 that is comprised of 1,065,841 vested DSUs at a weighted average share price of $0.11.

## LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2019, the Company had net working capital (see Non-IFRS measures) of $12,605,982 (July 31, 2018: $12,325,933). The Company expects to rely on its existing net working capital to finance its ongoing activities.

As at July 31, 2019, the Company had 41,462,851 common shares issued and outstanding, 2,499,979 share purchase warrants outstanding and 1,811,000 share purchase options outstanding which would generate $1,249,990 and $650,160 respectively, if exercised in full. The Company does not know when or how much will be collected from the exercise of these options and warrants as this is dependent on both the determination of the holder and the market trading price of the Company's common shares. The Company does not have any long-term debt as of the date of this MD&A and its interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

## CASH FLOWS

### Operating

Cash used in operating activities was $2,556,650 for the year ended July 31, 2019 compared to $4,952,992 for the year ended July 31, 2018. Cash used related to operating expenses for the year ended July 31, 2019 was $2,101,239 as generally discussed in the Results of Operations section of this report (year ended July 31, 2018: $4,372,998). Changes in working capital items used $455,411 during the year ended July 31, 2019 (year ended July 31, 2018: $579,994).

### Financing

There were no financing activities during the year ended July 31, 2019. Cash used in financing activities of $228,986 during the year ended July 31, 2018 was for the purchase of the Company's own shares from the market to fund the vesting of RSUs.

### Investing

Cash provided by investing activities during the year ended July 31, 2019 was $2,205,431 compared to $4,587,771 provided by investing activities for the year ended July 31, 2018. The purchase of investments at fair market value through profit and loss used $5,938,166 (year ended July 31, 2018 - $3,900,694) with the Company investing in securities during the period. The Company acquired shares of certain public resource and other sector companies (see Related Party Disclosures section of this report). The Company sold some of these investments generating cash of $8,777,155 during the year ended July 31, 2019 (year ended July 31, 2018 - $8,658,806). The Company entered into loan agreements during the year ended July 31, 2019, lending $96,000 to Trigon, $160,000 to Fura, $291,582 to Brazil Potash and $115,206 to Euro Sun. The Company used $83,977 in exploration and evaluation expenditures during the year ended July 31, 2019 (year ended July 31, 2018 - $170,341).

## CAPITAL STRUCTURE

| Number of: | As at July 31, 2019 | As at October 16, 2019 |
|---|---|---|
| Common Shares | 41,462,851 | 41,462,851 |
| Options | 1,811,000 | 1,160,000 |
| Warrants | 2,499,979 | 2,499,979 |

**FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities as at July 31, 2019:

| | Financial instrument classification | | Carry amount | | Fair value |
|---|---|---|---|---|---|
| **As at July 31, 2019** | | | | | |
| Cash | Amortized cost | $ | 77,749 | $ | 77,749 |
| Investments | FVPL | | 12,213,432 | | 12,213,432 |
| Loans receivable | Amortized cost | | 558,472 | | 558,472 |
| Amounts receivable and other | Amortized cost | | 109,440 | | 109,440 |
| Accounts payable and accrued liabilities | Amortized cost | | 564,787 | | 564,787 |
| **As at July 31, 2018** | | | | | |
| Cash and cash equivalents | FVPL | $ | 428,968 | $ | 428,968 |
| Investments | FVPL | | 12,371,859 | | 12,371,859 |
| Loans receivable | Loans and receivables | | 368,987 | | 368,987 |
| Amounts receivable and other | Loans and receivables | | 90,377 | | 90,377 |
| Accounts payable and accrued liabilities | Amortized cost | | 1,098,418 | | 1,098,418 |

*Fair value hierarchy*

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at July 31, 2019.

| | | Level 1 | | Level 2 | | Level 3 | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **As at July 31, 2019** | | | | | | | | |
| Investments | $ | 11,676,984 | $ | 536,448 | $ | - | $ | 12,213,432 |
| **As at July 31, 2018** | | | | | | | | |
| Cash and cash equivalents | $ | - | $ | 428,968 | $ | - | $ | 428,968 |
| Investments | | 11,856,122 | | 515,737 | | - | | 12,371,859 |

The carrying value of cash and cash equivalents, amounts receivable and other, and accounts payable and accrued liabilities approximate fair value because of the relatively short-term maturities.

*Interest rate risk*

A 1% increase in interest rates, based on the balance of cash, cash equivalents and fixed income investments at July 31, 2019, would result in an increase in annual interest income of approximately $778. All liabilities as at July 31, 2019 are non-interest bearing.

*Foreign currency risk*

The Company operates in Canada and its functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has acquired some investments, including its previous investment in an associate, which are denominated in foreign currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

*Credit risk*

The Company's credit risk is primarily attributable to cash and cash equivalents, and amounts receivable. The Company has no significant concentration of credit risk arising from operations.

Cash and cash equivalents of cash and GICs held in financial institutions from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist primarily of goods and services tax and harmonized sales tax due from the Federal Government of Canada.

*Liquidity risk*

As at July 31, 2019, the Company had net working capital (see non-IFRS measures) of $12,605,982, which included cash and cash equivalents of $77,749, investments of $12,213,432, loans receivable of $558,472 and amounts receivable and prepaid expenses of $321,116 offset by current liabilities of $564,787. The Company expects to rely on its existing net working capital to finance its ongoing planned activities. See Non-IFRS Measures.

*Price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodities prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

*Securities price risk*

The Company carries investments in certain public securities for which price fluctuations can affect the Company’s earnings. The Company classifies these investments as held-for-trading where price volatility is reflected in earnings.

## RELATED PARTY DISCLOSURES

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

*Related party balances*

The Company shares office space, resources and certain services with other corporations. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee. For the year ended July 31, 2019, the Company was charged $300,000 for these services (year ended July 31, 2018: $300,000). As well, the Company was charged an additional $58,304 by 2227929 Ontario Inc. for other services (year ended July 31, 2018: $9,728).

As at July 31, 2019, the Company had advanced $175,700 to Forbes & Manhattan, Inc., a company for which Mr. Stan Bharti (CEO of SMC) is the Executive Chairman, for consulting services.

*Compensation of key management personnel of the Company*

The remuneration of directors and other members of key management personnel were as follows:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Management salaries and fees | $ | 568,196 | $ | 2,473,344 |
| Directors fees | | 81,597 | | 100,000 |
| Share-based payments | | 49,029 | | 743,320 |
| | $ | 698,822 | $ | 3,316,664 |

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

As at July 31, 2019, the Company holds investments in certain public resource and other sector companies that are related party entities, related by virtue of the relationship with common directors.

| Public Issuer | | Security description | | Cost | | Estimated Fair value |
|---|---|---|---|---|---|---|
| Aberdeen International Inc. | i. | 4,790,000 warrants | | 221,436 | | 1,437 |
| Euro Sun Mining Inc. | ii. | 30,825 common shares | | 26,213 | | 11,714 |
| QuestCap Inc. (formerly Copper One Inc.) | iii. | 846,154 common shares | | 56,571 | | 122,692 |
| | | | $ | 304,220 | $ | 135,843 |

i. The Company's executive chairman, Stan Bharti, serves as director of this company.
ii. The Company's executive chairman, Stan Bharti, serves as director of this company. The Company's director, Brad Humphrey, is an officer of this company.
iii. The Company's executive chairman, Stan Bharti, serves as interim CEO and director of this company. The Company's CFO, Deborah Battiston, is CFO of this company.

## COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $427,500 (as at July 31, 2018 - $375,000) and additional contingent payments of approximately $2,670,000 (as at July 31, 2018 - $3,150,000) upon the occurrence of a change of control. As the likelihood of a change of control is not determinable, the contingent payments have not been reflected in the Company's condensed interim financial statements.

The Company is obligated to deliver common shares of the Company to the holders of RSUs granted under the terms of its RSU Plan. See Note 11 of the consolidated financial statements for the year ended July 31, 2019 and 2018.

The Company was involved in a litigation proceeding with APIO whereby APIO was challenging the Company's actions with respect to the transfer of the DAOS shares. APIO was seeking monetary compensation. A reliable estimate of the amount of the claim could not be made at July 31, 2019. The probability of the outcome was also uncertain. The Company was vigilantly defending its actions with respect to these claims. See Subsequent Events section below.

## SUBSEQUENT EVENTS

Subsequent to the end of the year, the Company sold investments generating $3,080,713 in net proceeds and purchased investments with a cost of $1,796,000.

Subsequent to the end of the year, the terms of the loan agreements with Fura, Brazil Potash and Trigon were amended. See Note 6 of the consolidated financial statements for the year ended July 31, 2019 for details.

On August 7, 2019, the Company entered into a loan agreement with Aberdeen whereby the Company agreed to lend Aberdeen $470,000. Interest is accrued and calculated at 12% per annum. The Principal and accrued interest is due and payable no later than February 7, 2020. The Company's executive director, Stan Bharti, is a director of Aberdeen.

On September 17, 2019, 651,000 options with exercise prices of $0.46 expired, unexercised.

On September 19, 2019, the Company received notification of the judgement held by the court on the APIO litigation proceeding, in which the court rejected the claim and charged APIO to pay Sulliden NIS 20,000 ($7,548) for its expenses.

On September 23, 2019, the Company entered into an agreement to sell its shares of a private company for cash proceeds of $22,000 and a promissory note with a principal amount of $198,000. Interest on the principal will accrue at a rate of 10% per annum. The principal and accrued interest will be due and payable on September 23, 2020.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION AND CRITICAL ACCOUNTING ESTIMATES and CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company's financial statements are the responsibility of the Company's management. The annual consolidated financial statements were prepared by the Company's management in accordance with IFRS. A description of the Company's significant accounting policies can be found in the notes of the Company's audited annual consolidated financial statements for the year ended July 31, 2019.

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed interim financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Valuation of Exploration and evaluation assets - The Company carries its mineral properties at cost less any impairment losses. The Company capitalizes exploration and evaluation costs, which are related to specific projects, until the commercial feasibility of the project is determinable, or the project is determined to be impaired. Costs are charged to operations when a property is abandoned or when impairment in value has been determined. The Company reviews the carrying values of mining properties and related expenditures whenever indicators of impairment exist or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates which are subject to various risks and uncertainties. Estimates may include, but are not limited to estimates of future metal prices, capital and operating costs, the quantities of mineral reserves to be mined and expected recoveries of minerals contained in ore, the ability to convert resources into economically mineable reserves, discount rates and; in the case of fair value less costs to sell, the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and exploration and evaluation assets.

- Income taxes and recoverability of potential deferred tax assets - In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-Based Payments - Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Assets and disposal groups held for sale - As security for default on the loan with APIO, in June 2016, the Company received 8,169 shares of APIO's subsidiary, Daos, a Mauritius company. As a result, the Company owned an 82% interest in Daos. The Company appointed three members to the board of Daos in June 2016 and controls the board of Daos. In October 2016, Daos issued additional shares to the Company in compensation for costs incurred by the Company related to Daos and the APIO loan. As at April 30, 2019, the Company owns 98% of the issued and outstanding shares of Daos. The Company has been in the process of selling the assets of Daos in order to recoup the defaulted loan. During the year ended July 31, 2018, Daos entered into an agreement to sell its 75% interest in a Mozambique company in exchange for the Bloc shares. The sale was completed during the year ended July 31, 2019 and the Bloc shares were sold for gross proceeds of $66,730. The Company has valued the Daos assets at $nil. The Company has also concluded that there is no constructive obligation on the part of the Company with respect to the Daos liabilities. Estimates are made, assumptions are used and management judgment is exercised in this assessment. These are subject to various risks and uncertainties which may ultimately have an effect on the expected recovery of these assets.

- Determination of Significant Influence of Investment in Associates - As at July 31, 2019, the Company has classified its investment in Troilus as a financial asset based on management's judgment that the Company does not have significant influence through its ownership of 12.5% of the voting rights and one common director.

## DISCLOSURE CONTROLS AND PROCEDURES

Subject to the limitations, if any, described below, the Company's CEO and CFO have, as at the end of the year ended July 31, 2019, designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

- Material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

- Information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation;

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada.

There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the year ended July 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above and based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting was effective as of July 31, 2019.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The CEO and CFO have certified that Internal Controls over Financial Reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Audit Committee of the Company has reviewed this MD&A, and the annual consolidated financial statements for the year ended July 31, 2019, and the Company's board of directors approved these documents prior to their release.

## NON-IFRS MEASURES

The Company has identified certain measures that it believes will assist understanding of the financial performance of the business. As the measures are not defined under IFRS they may not be directly comparable with other companies' adjusted measures. The Non-IFRS measures are not intended to be a substitute for, or superior to, any measures of performance but management has included them as these are considered to be important comparables and key measures used within the business for assessing performance. These measures are explained further below:

*Working capital*

This MD&A refers to working capital, which is not a recognized measure under IFRS. This Non-IFRS performance measure does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Management uses this measure internally. The use of this measure enables management to better assess performance trends. Management understands that a number of investors and others who follow the Company's performance assess performance in this way. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The definition for working capital and reconciliation of the Non-IFRS measure to reported IFRS measures is as follows:

| **As at:** | **July 31, 2019** | **July 31, 2018** |
|---|---|---|
| Cash | $ 77,749 | $ 428,968 |
| Investments, at fair market value through profit and loss | 12,213,432 | 12,371,859 |
| Loans receivable | 558,472 | 368,987 |
| Amounts receivable and other | 109,440 | 90,377 |
| Prepaid | 211,676 | 164,160 |
| | 13,170,769 | 13,424,351 |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 564,787 | 1,098,418 |
| **Working Capital (current assets less current liabilities)** | $ **12,605,982** | $ **12,325,933** |

**CAPITAL MANAGEMENT**

The Company considers its capital structure to consist of share capital, warrants and share purchase options. The Company manages its capital structure and makes adjustments based on the funds available to support the acquisition, exploration and development of its mineral properties. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain the future development of the business.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. The Company and its subsidiaries are not subject to externally imposed capital requirements.

**RISK AND UNCERTAINTIES**

The Company is subject to risks and challenges similar to other companies in a comparable stage of development. These risks include dependence on key individuals. The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, exploration and development of mining projects. These risks could materially affect the Company's future operating results and could cause actual events to differ materially from those described herein and in forward-looking statements and forward-looking information relating to the Company. The risks of the Company are also described in the Company's AIF, which can be found under the Company's profile at www.sedar.com.

*No Revenues*

To date, the Company has not recorded any revenues from operations nor has the Company commenced commercial production on any property. There can be no assurance that the Company has sufficient capital resources to continue as a going concern, that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's expenses and capital expenditures will increase as consultants, personnel associated with the exploration, and possible development are advanced. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's property will continue to require the commitment of substantial resources. There can be no assurance that the Company will continue as a going concern, generate any revenues or achieve profitability.

*Current Global Financial Conditions*

Financial markets globally have been subject to increased volatility. Access to financing for the Company has been negatively affected by low precious metals prices, uncertain economic conditions and uncertainty with respect to sovereign defaults and liquidity throughout the world. These factors may negatively affect the ability of the Company to obtain financing in the future and, if obtained, on terms favourable to the Company. If these levels of volatility and market turmoil continue or worsen, the Company may not be able to secure appropriate debt or equity financing when needed, which could affect the trading price of the Company's securities in an adverse manner.

*Investment Exposure*

Given the nature of SMC's activities and recent investments made by the Company to deploy its capital in the short term, the results of operations and financial condition of the Company are dependent upon the market value of the securities purchased. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect the resource and other sectors. Various factors affecting the resource and other sectors could have a negative impact on the Company's investments and thereby have an adverse effect on its business. Additionally, the Company's investments are mostly in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. Junior exploration companies may never achieve commercial discoveries and production. Company-specific and industry-specific risks that materially adversely affect the Company's investments may have a materially adverse impact on operating results.

*Nature of Mining, Mineral Exploration and Development Projects*

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration and development, including environmental hazards, explosions, and unusual or unexpected geological formations or pressures. Such risks could result in damage to, or destruction of, mineral properties, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

*No Mineral Resources or Mineral Reserves have been estimated at East Sullivan*

The East Sullivan Property is in the exploration stage and sufficient work has not been done to describe mineralization on the property with enough geological confidence for such mineralization to be reported as a mineral resource or mineral reserve. There is no assurance given by the Company that continuing work on the property will lead to defining the mineralization with enough confidence and in sufficient quantities to report it as a mineral resource or mineral reserve, or to economically extract it.

*Mineral Resource Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

*Unknown Environmental Risks for Past Activities*

Exploration and mining operations incur risks of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks, however, such risks have not been eliminated, and significant risk of environmental contamination from present and past exploration or mining activities still exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at the East Sullivan Property or for the Troilus project do not exist.

*Liquidity Concerns and Future Financings*

The Company will require capital and operating expenditures in connection with the exploration and development of its properties and for working capital purposes. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. The only sources of future funds presently available to the Company are the sale of equity capital, the sale of securities held, or the offering by the Company of an interest in its properties to be earned by another party or parties carrying out exploration or development thereof. There is no assurance that any such funds will be available for operations. Failure to obtain additional financing on a timely basis could cause the Company to reduce, delay or terminate its proposed operations, with the possible loss of such operations.

Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on acceptable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, delay or forfeit rights to certain acquisitions, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

*Share Price Fluctuations*

The market price of securities of many companies, particularly junior exploration stage companies, experience wide fluctuations in price that are not necessarily 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. As well, the Company has invested in a small number of junior companies. Fluctuation in the share prices of these companies may significantly affect the valuations of the Company's assets.

*Foreign Exchange*

Mineral commodities and acquisition opportunities are typically sold in U.S. dollars. The Company has also invested in foreign investments, including its previous investment in associate. The Company's operations are in Canada. As a result, the Company is subject to foreign exchange risks relating to the relative value of the U.S. dollar as compared to the Canadian dollar.

*Country Risk*

The Company's investment in Fura is subject to risks normally associated with the conduct of business in Columbia and Mozambique. These risks and uncertainties include, but are not limited to, currency exchange rates; price controls; import or export controls; currency remittance; high rates of inflation; labour unrest; renegotiation or nullification of existing permits, applications and contracts; tax disputes; changes in tax policies; restrictions on foreign exchange; changing political conditions; community relations; currency controls; and governmental regulations that may require the awarding of contracts of local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitudes in Columbia or Mozambique may adversely affect the operations of Fura and affect the Company's investment.

*Insufficient Insurance Coverage*

The Company's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures and cave-ins) and encountering unusual or unexpected geological conditions. Many of the foregoing risks and hazards could result in damage to, or destruction of: the Company's mineral properties or future processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of their exploration or development activities, delay in or inability to receive regulatory approvals to transport their products, or costs, monetary losses and potential legal liability and adverse governmental action. The Company may be subject to liability or sustain loss for certain risks and hazards against which they do not or cannot insure or which it may reasonably elect not to insure because of the cost. This lack of insurance coverage could result in material economic harm to the Company.

*Competition*

The Company competes with many other mining companies that have substantially greater resources. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund the Company's operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operations and business.

*Dependence on Outside Parties*

The Company has relied and will rely upon consultants, geologists, engineers and others and intends to rely on these parties for exploration and development expertise. Substantial expenditures are required to pursue acquisition opportunities and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

*Conflicts of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other mining companies and, 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 such participation.

*Income and other taxes*

The Company is subject to income and other taxes in Canada. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. As of the date of the statement of financial position, no liability in respect of pending tax issues has been recognized in the financial statements.

**OFF BALANCE SHEET ITEMS**

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

**ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

Additional information on the Company is available through regular filings of press releases on SEDAR (www.sedar.com), or by visiting the Company's website at www.sulliden.com.

**FORWARD-LOOKING INFORMATION AND CAUTIONARY STATEMENTS**

Except for statements of historical fact relating to the Company certain information contained herein constitutes forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to future economic estimates, including mineral resource estimates; acquisition opportunities of the Company; currency exchange rates; merits of litigation; ability to receive repayment on loans; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as ''plans'', ''expects'' or ''does not expect'', ''is expected'', ''budget'', ''scheduled'', ''estimates'', ''forecasts'', ''intends'', ''anticipates'' or ''does not anticipate'', or ''believes'', or variations of such words and phrases or statements that certain actions, events or results ''may'', ''could'', ''would'', ''might'' or ''will be taken'', ''occur'' or ''be achieved''. Forward-looking information is based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of gold and other minerals; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes; other risks of the mining industry and other risks described herein. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward- looking information.

All forward-looking statements made in this MD&A are qualified by these cautionary statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable securities law.

## LIST OF OFFICERS AND DIRECTORS

| | |
|---|---|
| Stan Bharti, | Executive Chairman and Interim Chief Executive Officer |
| Deborah Battiston, | Chief Financial Officer and Director |
| Hon. Pierre Pettigrew | Director |
| William Clarke | Director |
| Brad Humphrey | Director |