



**Silver Sun Resource Corp.**

400 - 409 Granville Street  
Vancouver, B.C.  
V6C 1T2

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended April 30, 2012

Date Submitted: August 28, 2012

**Silver Sun Resource Corp.**  
**Management Discussion and Analysis**  
**For the year ended April 30, 2012**  
(Expressed in Canadian Dollars)

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**Form 51-102F1 – Management's Discussion & Analysis**  
**For the year ended April 30, 2012**

**Date: August 27, 2012**

**INTRODUCTION**

This management discussion and analysis ("MD&A") of the operating results and financial condition of Silver Sun Resource Corp ("Silver Sun" or "the Company") for the year ended April 30, 2012 is prepared in conformity with National Instrument 51-102F1. The MD&A should be read in conjunction with the consolidated annual financial statements for the year ended April 30, 2012 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS replaced current Canadian GAAP for publicly accountable enterprises, including the Company, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition to IFRS resulted in changes to the Company's significant accounting policies; however these changes in accounting policies did not have a significant effect on the Company's statement of financial position at May 1, 2010 or its fiscal 2011 comparative information presented in the financial statements for the year ended April 30, 2012.

Readers of the MD&A should refer to "Changes in Accounting Policies" below, and Note 17 of the accompanying consolidated financial statements, for a discussion of IFRS and its impact on the Company's financial statements.

Readers should use the information contained in this MD&A in conjunction with all other disclosure documents including those filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)).

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise. The date of this MD&A is August 27, 2012.

Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com). As used in this management's discussion and analysis, the terms "we", "us", "our", the "Company" and "Silver Sun" mean Silver Sun Resource Corp. and our subsidiaries, unless otherwise indicated.

### **FORWARD LOOKING STATEMENTS**

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “possible” and similar expressions, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company’s expectations include uncertainties involved in disputes and litigation, fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty in meeting anticipated program milestones; uncertainty as to timely availability of permits and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company’s policy that all forward-looking statements be based on the Company’s beliefs and assumptions which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of August 27, 2012 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations for: the availability of permits and other government approvals at Cherry Hill and Zacatecas properties, as well as other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in “Risks and Uncertainties” below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

## **OVERALL PERFORMANCE**

### **Description of Business**

The Company was incorporated under the Business Corporations Act (British Columbia) on March 14, 2007, and was classified as a Capital Pool Company as defined in TSX Venture Exchange (the "Exchange") Policy 2.4.

The Company's place of business is 400-409 Granville Street, Vancouver, BC, V6C 1T2. On October 1, 2007, the Company's common shares were listed and posted for trading on the Exchange under the symbol "SSU". The Company was listed on the Frankfurt Stock Exchange and began trading in November of 2010 under the symbol SS6.

The Company began trading on the OTCQX Exchange in December of 2011 under the symbol SSUXF. The Company is now DTC eligible in the United States.

### **Overview and Results and Description of Exploration and Evaluation**

#### ***Zacatecas Mineral Claims, Zacatecas, Mexico***

The venture consists of three separate properties: Mina San Jose, Salvador, and Zacatecas which are located approximately 15 kilometers northwest of the municipality of Zacatecas, the capital city of Zacatecas State, Mexico. The Mina San Jose property consists of one exploration concession of 40 hectares (ha). The Salvador-Zacatecas property consists of the Salvador exploitation concession which is 32 ha, while the adjacent Zacatecas exploration concession has 8.712 ha for a total of 40.712 ha. The Company owns 73% of the concessions in a Joint Venture with Impact Silver Corp. that owns 27%.

#### *Location:*

The properties are located about 10-16 km north and northwest of the city of Zacatecas, the capital of Zacatecas State, Mexico. The properties are located in the Central Mesa plateau in north central Mexico, situated in the states of Zacatecas, Aguascalientes, and San Luis Potosi. The topography is flat to undulating plateaus cut by small, frequently dry streams that flow out to broad valleys, which are agriculture centers. Elevations in the immediate area of the property are 2300-2450 m above sea level. Access to the projects is from paved National and State highways extending from the city of Zacatecas to neighboring towns, including Vetagrande, Nuevo Hacienda, and Morelos. Gravel roads in good repair access the interiors of the properties.

#### *List of Mineral Tenures:*

<b>Concession</b>	<b>Title No.</b>	<b>Claim Type</b>	<b>Area (ha)</b>	<b>Date registered</b>
Mina San Jose	T-225854	Exploration	40	28 Oct. 2005
Salvador	T-181880	Exploitation	32	16 Dec. 1987
Zacatecas	T-219098	Exploration	8.712	4 Feb. 2003

In August, 2008 Silver Sun engaged Tekhne Research Inc. to prepare a technical report on the Zacatecas Joint Venture. The operating partner during the period, Impact Silver Corp., had contracted with Tekhne Research Inc. of Victoria, BC, an arms-length company, on 15 November 2006 to assist in the design and execution of the Phase 1 surface evaluation and Phase 2 diamond drilling program on the Mina San Jose and Salvador-Zacatecas Properties under the Joint Venture. Silver Sun received a technical report (the "Technical Report") dated August 21, 2008, as amended October 14, 2008, prepared by Edward M. Lyons, P. Geo of Tekhne Research Inc. entitled "Exploration Phases 1 & 2: Surface Sampling & Diamond Drilling on the Mina San Jose & Salvador-Zacatecas Properties Zacatecas, Zacatecas State, Mexico", which summarized the results of the Phase 1 and Phase 2 surface and geological sampling on the Zacatecas property.

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The exploration program consisted of Phase 1 surface sampling and geological sampling. Phase 2 was the drill program based on the Phase 1 results. For Mina San Jose, Phase 1 produced 45 surface dump and rock samples and Phase 2 had four diamond drill holes totaling 501.25 m of NTW (61.2 mm diameter core) and 106 core samples. Salvador-Zacatecas Phase I work resulted in 17 dump and rock samples, while Phase 2 had 12 diamond drill holes (two were lost) totaling 1,314.5 metres of NTW coring with 193 samples. All samples were sent to ALS-Chemex Labs at Guadalajara, Mexico for sample preparation and the pulps were sent for analyses to ALS-Chemex in Vancouver, BC Canada.

The Technical Report (available on [www.sedar.com](http://www.sedar.com)) prepared by the Company's Qualified Person at the time, Edward M. Lyons, P. Geo. provided the following summary of the drill hole data results on the Zacatecas property:

The results for Mina San Jose showed Ag at 122 to 525 g/T Ag as average samples and selected dump samples, specifically selected to show the best potential values, of 4,900 g/T Ag with 6% Zn and 1-2% Pb. The drill results encountered the veins as zones to 1,340 g/T Ag, 1.23 % Pb, and 1.18% Zn over 0.65 m true thickness. The drilling was reconnaissance in nature. The work suggests that the vein may be more coherent to the west and perhaps at depth. The Salvador-Zacatecas dump samples ran 100-288 g/T Ag with selected material typically 3-4 times higher. Drill intersections returned a maximum of 382 g/T Ag over 0.5 m true width on the Salvador Vein and 275 g/T Ag over 0.61 m true width with less than 1% Pb and Zn respectively.

As of January 31, 2010, the Company had fulfilled its obligation to incur exploration expenditures of \$200,000. As a result of these expenditures, the Company now has a 73% interest in the Joint Venture with Impact. The Company is currently completing the metallurgical testing on the ore and has recently received the mining and reclamation permits required from the Mexican government in order to put this property into production. However, no plans are in place to currently follow through with production as a suitable milling facility – and hence economic assessment – has not been identified.

On June 30, 2010, the Company announced the approval of mining and environmental permitting on their Zacatecas project through the Company's wholly owned Mexican subsidiary Minera Plata del Sol S.A. de C.V.

Silver Sun is in discussions with IMPACT Silver Corp., owners of the remaining 27%, regarding the option to process ore at their wholly-owned mill which is 1,000 meters from the property. On August 3, 2010, the Company announced that it has contracted SGS de Mexico S.A. de C.V to carry out metallurgical test-work on the mineralized stockpiles from the Company's Zacatecas properties.

The test program consisted of a Cyanide Leach Bottle-Roll Test to generate kinetic gold/silver extraction curves and to determine Sodium Cyanide and Lime consumptions. Further, two Flotation Tests were performed on each sample to identify Primary Flotation, Scavenger Flotation and two cleaning stages. All concentrates were for Au, Ag, Pb, Zn, Cu and Fe. Results from the Metallurgical Test Program show the recovery for Ag at 47%.

The properties are presently registered in the name of Minera Aguila Plateada S.A. de C.V. which is a wholly owned subsidiary of Impact Silver Corp. We hold a 73% interest in the Concessions pursuant to the Joint Venture Agreement between Yale Resources Ltd. and Impact dated July 25, 2008. We acquired Yale's interest in the Joint Venture Agreement pursuant to an Option Agreement with Yale dated August 14, 2008 as amended on January 8, 2010.

On August 25, 2011, IMPACT Silver announced that it has agreed to sell all of its interests in Zacatecas area. This has since been completed however, their 27% ownership in the Zacatecas, San Jose, and Salvador concessions were not transferred to Defiance Silver Corp. and remain held by IMPACT's Mexican subsidiary.

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***Yoreme Mineral Claim, Sonora, Mexico***

On December 2, 2010, the Company entered into an exploration and evaluation asset purchase agreement with Maggiore Capital Limited, pursuant to which the Company has acquired one hundred percent (100%) right, title and interest in the Yoreme mineral claim (the "Property"). The Property is 400 hectares in size and is located in the Municipality of Alamos, state of Sonora, Mexico. The consideration paid for this exploration and evaluation asset is 2,500,000 common shares of the Company. The Company paid an additional 200,000 shares as a finders' fee on this purchase. The property is presently registered in the name of Minera Plata del Sol S.A. de C.V., which is a wholly owned subsidiary of the Company.

Initial sampling performed by Company's Mexican subsidiary returned the following values: Sample	Type	Width (m)	Ag (g/t)	Pb (%)	Zn (%)
37459	Rock	2.0	569.3	1.63	6.04
37460	Dump	-	1,259.6	0.97	2.61
37461	Rock	2.0	1,768.6	0.29	0.74
37462	Rock	1.0	82.7	0.05	0.51
37464	Dump	-	85.9	2.02	2.62
37465	Rock	1.0	1,825.7	0.18	0.31

Follow-up sampling performed in conjunction with a technical report returned:

- 256.0 g/t silver over 1.96 m;
- 262.0 g/t silver over 1.8 m; and
- 126.0 g/t silver over 2.6 m.

On December 14, 2010, the Company announced that it has begun its Phase I work program on its newly acquired Yoreme project located in the Alamos Mining District, Sonora state, Mexico. The exploration work will consist of trenching, dewatering and rehabilitating of historic workings with rock chip sampling of the trenches and underground workings. This work program is estimated to be completed over a two week period with lab analysis of samples expected in a further four weeks.

The recommended Phase II was initially planned to consist of a multi-level, shallow diamond drilling program to intercept the interpreted higher grade silver ore shoots and that Phase II work program was expected to begin in February, 2011. Phase II has since been changed.

On June 10, 2011, the Company entered into an agreement with Strachen Resources Ltd ("Strachen"), for the conditional sale of the Company's Yoreme Project for a total price of \$300,000, consisting of 2,500,000 common shares of Strachen and \$50,000 cash. On August 31, 2011, the Company and Strachen mutually agreed to terminate this conditional sale.

Exploration at Yoreme has since consisted of 13 line km of geophysics, mapping, soil sampling, trenching and sampling. Results of this work have yet to be announced.

***Cherry Hill gold mine, California, USA***

On April 15, 2011, the Company announced that it has closed the Definitive Agreement for the purchase of a 51% interest in the Cherry Hill Mine mineral claims, located in Siskiyou County, northern California, whose key asset is the past producing, Cherry Hill Gold Mine. In consideration for the 51% interest in the project, the Company agreed to pay USD\$555,000. The Cherry Hill Mine is fully permitted and consists of a high grade underground quartz lode mine that is located on a claim block consisting of six unpatented mining claims. The Cherry Hill purchase includes one mill site claim including a 750 ton per month gravity circuit mill with all machinery and equipment. The Property is approximately 125 acres located in the Klamath National Forest in Siskiyou County, California, approximately 8 miles from Yreka. Cherry Hill has had a substantial amount of work done in the mine as it has previously been in production numerous times during the past 100 years.

On May 10, 2011, the Company announced that it has formed a wholly owned U.S. subsidiary, Golden Sun LLC, as well as Cherry Hill Holdings LLC and Lucky Boy Resources LLC which will function as the Joint Venture operating companies.

The Company received approval from the United States Forest Service (USFS) to continue with the current Plan of Operations, which is valid until the year 2015 using the permits and licenses that are currently in place. Once production resumes at Cherry Hill, the Company plans to apply to the USFS to broaden the Plan of Operations at Cherry Hill to include the entire property for which a full Environmental Assessment will be required.

On May 12, 2011, the Company announced that the Company has increased its interest in the Cherry Hill Mine mineral claims to a total of 68.15% by acquiring an additional 17.15% interest.

In consideration for the additional 17.15% interest, the Company has agreed to issue 500,000 shares of Common Stock of the Company subject to obtaining all applicable regulatory, corporate approvals and consents, including the consent of the TSX Venture Exchange.

In consideration for the additional 31.85% interest, the Company has agreed to issue 950,000 shares of Common Stock of the Company and issue 475,000 common share purchase warrants at a price of \$0.56 for a period of twelve (12) months from the date of closing. Closing of the transaction will be subject to obtaining all applicable regulatory, corporate approvals and consents, including the consent of the TSX Venture Exchange.

On July 7, 2011, the Company announced that they have received confirmation from Mojave Desert Minerals, LLC, stationed in Oatman Arizona, that they will serve as the Company's primary Underground Mine Rescue team for the Cherry Hill Gold Mine in Yreka, California. Further, the Company is in receipt of confirmation from the Siskiyou County Sheriff's Department (Search and Rescue Team) of their assistance in the event of an emergency.

On July 20, 2011, the Company announced they have received approval from the City of Yreka, California, to operate the Company's mill within the city limits. While the Company decides as to if the mill should be relocated for construction, Silver Sun has access to two additional, fully operational, contract mills to process all stockpiled ore from the Cherry Hill gold mine.

On August 24, 2011, the Company announced that development work will start with the creation of a refuge chamber as well as areas for the explosives magazine and blasting caps. This development work, as a requirement of the Mine Safety and Health Administration (MSHA), will allow the company to expand its understanding of the underground geometry of the Queen vein as approximately 105 feet of crosscuts are planned. These crosscuts outside of the vein will also provide the company with stations where underground drilling can be conducted in the future to test the downdip extensions of the vein.

In addition, development work will prepare the Queen vein for production by expanding the Q4-1 raise, which will be the main focus of the first new production from the mine. The Q4-1 raise will be extended higher into the vein and widened



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such that production and mucking can happen simultaneously on different headings, which is anticipated to increase production rates.

On October 21, 2011 the Company announced that it has completed a bulk sampling program at Cherry Hill. Approximately 100 tons of material was processed at the Discovery Day Mine's gravity circuit mill, which produces two separate concentrates: a free-gold bearing concentrate and a sulphides concentrate that requires additional processing.

On October 25, 2011 the Company announced that metallurgy test results indicate recoveries of 94.69% for gold and 87.15% for silver are attainable for material from the Company's wholly owned Cherry Hill Gold Mine. The Company also announced that it has retained Derrick Strickland, P. Geo, to prepare a National Instrument 43-101 compliant technical report with respect to the Cherry Hill project which is anticipated to be available through SEDAR by the end of the calendar year.

On October 27, 2011 the Company announced that production had begun at the Cherry Hill gold mine; mineralized material is stockpiled at the secured storage facility prior to transport to the nearby Merlin mill.

On Jan 12, 2012, the Company announced that assays submitted by Derrick Strickland, P. Geo., on behalf of Silver Sun for the purpose of the completion of an independent, 43-101 compliant technical report on the Cherry Hill Gold Mine have been received.

A total of six samples were submitted to Acme Labs for assaying:

- Sample CH11-01 that returned a value of 12.4 g/t gold was taken at 400 ft. of the main Q4 level (at the previous face) from banded quartz vein, 40 cm. parallel to the channel. This is an area of current production.
- Sample CH11-02 that returned a value of 1.71 g/t gold, was taken at the 340 ft. mark of the main Q4 level from banded quartz vein, 30cm. parallel to the channel.
- Sample CH11-03 that returned a value of 20.2 g/t gold was taken in the Q4-1 raise, i-drift from banded quartz, 30 cm. parallel to the channel. This is the Company's second active working.
- Samples CH11-04 to CH11-06 from fault gauge at the 150 ft. to 242 ft. level of the main Q4 level together with a grab sample from a muck pile of black slate with euhedral pyrite returned nominal values of between 0.02 g/t gold and 0.24 g/t gold.

On Jan 19, 2012, the Company announced that milling of the stockpiled material from the Cherry Hill gold mine will begin tomorrow at the gravity and floatation circuit mill in Grants Pass, Oregon.

Approximately 200 tons of the initial 2,000 tons of material will be processed over a two day period in order to determine the best methods for optimal recovery of gold and silver. In addition processing of this initial batch of throughput will quantify the amounts, if any, of deleterious elements present in the tailings.

On Mar 01, 2012, the Company announced that initial assays received from half of the gravity circuit concentrates returned a weighted average of 15.21 oz/T gold and 5.17 oz/T silver from 1,260 pounds of mineralized material from the Cherry Hill Mine.

In January the Company processed 210 tons of mineralized material from the Cherry Hill Mine at its contract mill in Grants Pass, Oregon (see news release dated Jan. 19th, 2012) to determine the best methods for optimal recovery of precious metals together as well as to quantifying the amounts, if any, of deleterious elements present in the tailings.

From the 210 ton of material processed the Company received 10,120 lbs. of floatation concentrate and 2,360 lbs. of gravity concentrate via a Nelson concentrator. 1,260 lbs. of the gravity concentrate were subsequently run across a shaker table in order to further process the material and create 4 smaller different concentrates. Representative samples of each shaker table concentrate were then sent for analysis. The number 1 concentrate, or 'super con', is the material that passes directly across the shaker table. The number 4 concentrate is the lightest material and, in this case, contains predominately quartz and only very fine grained sulphides.

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The table below breaks down the assays of each concentrate created by the shaker table.

<b>Sample ID</b>	<b>Weight (lbs)</b>	<b>Au (oz/T)*</b>	<b>Ag (oz/T)*</b>	<b>Contained ounces</b>
CHM CONS - 1	32	542.00	181.00	8.67
CHM CONS - 2	141	8.39	3.31	0.59
CHM CONS - 3-1	122	1.95	0.65	0.12
CHM CONS - 3-2	28	3.89	1.53	0.05
CHM CONS - 4-1	675	0.29	0.14	0.10
CHM CONS - 4-2	262	0.37	0.14	0.05
<b>Totals:</b>	<b>1,260</b>			<b>9.58</b>
<b>Weighted Average:</b>		<b>15.21</b>	<b>5.17</b>	

\* T = short ton (2,000 pounds)

The samples for the gravity concentrates were prepared and analyzed by ALS Chemex at their facilities in Vancouver, B.C. using their 'specialty assay procedure' and generally consisted of 0.1 kg of material. Gold analyses were performed by Fire Assay Fusion (FA-FUSION) utilizing Gravimetric, AAS or ICP finish depending on the concentration and silver was analyzed as part of a multi-element ICP package using an aqua regia digestion.

Samples from the floatation concentrates were sent to Norris Labs, Montana and the Company is awaiting the assays. Further samples were sent to Just Refiners in Sparks, Nevada for analysis prior to sale.

To date no product from Cherry Hill has been sold.

**SELECTED ANNUAL FINANCIAL INFORMATION**

The Company's audited consolidated financial statements for the year ended April 30, 2012 (the "Annual Financial Statements") have been prepared in accordance with IFRS. The Company's reporting currency is the Canadian Dollar, except where stated otherwise. The following selected financial information is taken from the Annual Financial Statements and should be read in conjunction with those statements.

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<b>For the year ended:</b>	<b>April 30, 2012</b>	<b>April 30, 2011</b>	<b>April 30, 2010</b>
	<b>(IFRS)</b>	<b>(IFRS)</b>	<b>(CGAAP)</b>
<b>Statement of Operations and Comprehensive Loss:</b>			
Total revenue	\$ -	\$ -	\$ -
Operational expenses	2,344,523	1,285,189	289,245
Other expenses (income)	590,344	157,096	(83)
Net loss and comprehensive loss	2,924,327	1,442,285	289,162
Basic and diluted loss per common share	0.06	0.04	0.02

<b>As at:</b>	<b>April 30, 2012</b>	<b>April 30, 2011</b>	<b>May 1, 2010</b>
	<b>(IFRS)</b>	<b>(IFRS)</b>	<b>(IFRS)</b>
<b>Statement of Financial Position:</b>			
Cash and short-term investment	\$ 5,952	\$ 1,307,807	\$ 627,853
Exploration and evaluation assets	1,606,767	1,470,479	87,500
Total assets	1,841,674	2,861,632	907,491
Total liabilities	105,559	32,945	21,911
Shareholders' equity	1,736,115	2,828,687	885,580

For discussion of the factors affecting the Company's losses see "Selected Quarterly Financial Data" and "Results of Operations" below. For discussion of the factors affecting our statement of financial position see "Results of Operations" and "Liquidity and Capital Resources" below.

## **RESULTS OF OPERATIONS**

For the year ended April 30, 2012, the Company recorded a net loss and comprehensive loss of \$2,924,327, compared to a net loss and comprehensive loss of \$1,442,285 for the year ended April 30, 2011, an increase of \$1,482,042.

Compared to the year ended April 30, 2011, the Company's net and comprehensive loss for the year ended April 30, 2012 was impacted significantly by the following factors:

- Exploration and evaluation costs of \$1,100,200 were incurred during the year ended April 30, 2012 compared to \$35,920 incurred during the year ended April 30, 2011; an increase of \$1,064,280. Of this increased expenditure, \$991,066 was in respect of the Cherry Hill property and \$81,653 in respect of the Yoreme project, while costs in respect of the Zacatecas project and Barkerville Claims decreased by \$4,263 and \$4,175 respectively.
- Professional fees of \$173,282 were recognized during the year ended April 30, 2012; an increase of \$95,994 from the \$77,288 professional fees recognized for the year ended April 30, 2011. This increase was as a result of additional accounting services required during the year ended April 30, 2012 as well as engineering and environmental services received in respect on the Cherry Hill property.
- Management and consulting fees increased by \$80,722; from \$211,750 during the year ended April 30, 2011, to \$292,472 during the year ended April, 2012. This increase was partially due to the increased monthly consulting fee paid to the Company's CEO and President, and partially to increased activity in respect of the Cherry Hill property and the twelve-month consulting contract entered into with an unrelated third party.

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- Transfer agent, listing and filing fees increased from \$24,995 for the year ended April 30, 2011 to \$75,927 for the year ended April 30, 2012. This increase of \$50,932 is primarily due to additional costs incurred by the Company to list on the OTCBB during the year ended April 30, 2012.
- During the year ended April 30, 2012 the Company recognized a foreign exchange loss of \$28,516 compared to a \$nil foreign exchange movement during the year ended April 30, 2011. The foreign exchange gain arose primarily on the Company's loans to its foreign subsidiaries.
- Investor Relation costs of \$23,000 was incurred during the year ended April 30, 2012 (year ended April 30, 2011: \$nil) as a result of the investor relation services contract entered into during the period.
- Share-based compensation decreased by \$348,410. During the year ended April 30, 2012, \$495,482 share-based compensation was recognized in respect of the 1,900,000 options granted and vested during the period, compared to share-based compensation of \$843,892 recognized for the year ended April 30, 2011 in respect of the 4,100,000 options granted during the year.
- During the year ended April 30, 2012 the Company recognized an impairment loss of \$564,000 on the Yoreme property, located in Mexico, while during the year ended April 30, 2011 the Company recognized an impairment loss of \$160,000 on the Barkerville Claims located in British Columbia.

**SUMMARY OF QUARTERLY RESULTS**

The following table provides summary financial data for the last eight quarters:

Quarter ended:		Accounting Standard	Revenue	Loss before other income and expense	Net loss and comprehensive loss	Basic diluted loss per common share	Weighted average number of shares
Q4/12	April 30, 2012	IFRS	\$ -	\$ (355,075)	\$ (951,179)	\$ (0.02)	\$ 47,061,256
Q3/12	January 31, 2012	IFRS	-	(865,221)	(852,688)	(0.02)	46,541,304
Q2/12	October 31, 2011	IFRS	-	(431,574)	(415,306)	(0.01)	46,194,783
Q1/12	July 31, 2011	IFRS	-	(692,653)	(705,154)	(0.02)	44,238,533
Q4/11	April 30, 2011	IFRS	-	(320,366)	(318,696)	(0.01)	43,136,621
Q3/11	January 31, 2011	IFRS	-	(759,487)	(758,914)	(0.02)	34,666,835
Q2/11	October 31, 2010	IFRS	-	(93,363)	(252,835)	(0.01)	25,500,000
Q1/11	July 31, 2010	IFRS	-	(111,973)	(111,840)	(0.00)	25,456,522

The primary factors affecting the magnitude and variations of the Company's losses are summarized as follows:

- Share-based compensation expense significantly impacted the fluctuation of the net loss in Q4/12 –Q3-11 as follows:
  - Q4/2012 - \$2,220; Q3/2012 - \$341,068; Q2/2012 - \$41,879; Q1/2012 - \$110,315
  - Q4/2011 - \$213,664; Q3/2011 - \$630,228; Q1-2/2011 - \$nil
- In Q4/2012 exploration and evaluation costs decreased by \$98,358, and management and consulting fees decreased by \$42,612 due to decreased activity on the Cherry Hill Property during the period.
- A foreign exchange loss of \$45,771 was recognized during Q4/12, due to the weakening of the US Dollar against the Canadian Dollar during the period, compared to a foreign exchange gain of \$16,454 in Q3/12.
- In Q3/12 exploration and evaluation costs and management and consulting fees increased by \$114,517 due to increased exploration activities on the Cherry Hill property.
- In Q3/12 share-based compensation of \$319,125 was recognized in respect of 1,300,000 options issued during the quarter and by the issuance of 1,300,000 options that vested immediately with a fair value of \$319,125 resulting in a total higher share based compensation of \$341,068.

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- In Q2/12 the Company incurred a smaller loss due to several factors: exploration costs on the Yoreme and Zacatecas projects decreased by \$39,060 during the quarter due to reduced exploration activity; no options were issued, resulting in a decrease in share-based compensation of \$68,436; and consulting expenditure of \$50,000 recognized in net loss during Q1/2011 was in respect of services provided during Q2/2011, resulting in reduced expenditure during Q2/12.
- A foreign exchange gain of \$24,526 was recognized during Q2/12, due to the strengthening of the US Dollar against the Canadian Dollar in Q2/12, compared to a foreign exchange loss of \$23,725 in Q1/12.
- In Q1/12 there was a significantly higher net loss due to the increase in exploration and evaluation costs of \$329,528 and higher management, consulting, and professional fees of \$104,440, related to property acquisition and exploration activity on the Cherry Hill and Yoreme projects.
- Share based compensation in Q1/12 was \$103,349 lower than in Q4/11 due to fewer options issued and vested during the period.
- In Q4/11 share based compensation was \$416,564 less than in Q3/11, as only 1,250,000 options were issued, compared to the 3,000,000 options issued in Q3/11.
- In addition net loss in Q4/11 was reduced by a decrease in professional fees of \$32,336, but was partially offset by an increase in management and consulting fees of \$22,700.
- In Q3/11 the Company granted 3,000,000 options and recognized share-based compensation of \$630,228.
- In Q2/11 the Company recognized a write-off of \$160,000 in respect of its exploration and evaluation asset option located in the Cariboo mining district in British Columbia.
- In Q1/11 the Company's office, administration and travel expenditures, and exploration and evaluation costs increased, but were offset by decreased professional, management and consulting fees.

#### **LIQUIDITY AND CAPITAL RESOURCES**

As at April 30, 2012, the Company had a cash balance of \$5,952, compared to a cash balance of \$507,807 at April 30, 2011. The Company continues to utilize its cash resources to fund its administrative requirements, investigate asset acquisitions and maintain and develop its exploration and evaluation assets. As the Company has no significant revenue, cash balances will continue to decline as the Company utilizes these funds to conduct its operations unless replenished by capital fundraising.

The Company's operations to date have been financed by the issuance of its common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in raising funds in the past, there is no assurance that it will continue to do so in the future.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has incurred losses from inception including a net and comprehensive loss of \$2,924,327 for the year ended April 30, 2012. At April 30, 2012 the Company had a working capital deficit of \$5,598 compared to working capital of \$1,307,208 as at April 30, 2011.

In addition to the commitments disclosed elsewhere in the MD&A, the Company had the following obligations:

- The Company has a rental and administrative services agreement with a company that shares directors and officers, and requires the payment of \$750 per month plus taxes. The agreement is in effect on a month to month basis and may be terminated with thirty days written notice in accordance with the provisions of the agreement.

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- On May 1, 2011 the Company entered into an indefinite term contract with McLeary Capital Management, Inc. (the "consultant"), a private company controlled by the President and CEO of the Company, for the consultant to continue to act as President and Chief Executive Officer and Director of the Company. A monthly consulting fee of \$10,000 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until May 1, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease.
- Effective June 9, 2011, the Company entered into a fifteen month investor relations agreement with Launch IR Inc. An agreement was concluded with the investor relations consultant for a term of 15 months commencing June 15, 2011. The Consultant will be paid a total of \$20,000 plus HST over the term of four months, payable in installments of \$5,000 monthly, commencing June 15, 2011 and the sum of \$5,500 plus HST over the term of eleven months, payable in installments of \$500 per month for a period of eleven months commencing October 15, 2011. The consultant was also the granted options to purchase 350,000 common shares of the Company at an exercise price of \$0.45 for a term of fifteen months.
- Effective July 5, 2011, the Company entered into a 12 month license and service agreement for the consideration of \$10,000 per month. The terms of the agreement requires the licensor to provide mining and permit development services to the Company, and provides the Company the rights to use certain licenses and permits registered in the name of the licensor relating to the Company's Cherry Hill claims located in Siskiyou County, California.
- Effective September 1, 2011, the Company entered into a 3 year storage rental agreement for an annual fee of \$8,400, payable at the start of each year. At the end of the initial rental period, the agreement shall renew annually and continue on a year-to-year basis, subject to termination of sixty days written notice by either party.

As of the date of this MD&A, the Company has insufficient working capital at this time to meet its ongoing financial obligations for the coming year and fund its planned work on its Mexico and California projects. Additional financing will be required in the event that the Company commences full scale mine development work or obtains any definitive feasibility studies in connection with its exploration mineral projects. There is no assurance that the Company will be successful in raising additional capital if and when required.

#### *Cash Flows*

In the year ended April 30, 2012, cash used for operating activities amounted to \$1,804,338 (year ended April 30, 2011: \$438,393). The increase in cash outflows used for operating activities for the year ended April 30, 2012 compared to the year ended April, 2011 is principally due to higher exploration expenditures, and management and consulting fees related to asset acquisition and exploration expenditures as described in "Results of Operations", which was somewhat offset by a reduction in cash used for accounts payable and accrued liabilities.

During the year ended April 30, 2012 cash provided by financing activities amounted to \$583,200 compared to \$1,517,500 fiscal 2011. During the year ended April 30, 2012, 2,000,000 options were exercised for total proceeds of \$508,500 (2011 – 950,000 options for gross proceeds of \$104,000) and 498,000 warrants for gross proceeds of \$74,700 (2011 – 14,085,000 warrants for gross proceeds of \$1,413,500).

During the year ended April 30, 2012, cash provided for by investing activities was \$722,452, arising from the redemption of the short-term investment for \$803,700, inclusive of finance income earned, partially offset by the purchase of property, plant and equipment for \$81,248. In comparison \$1,369,979 was used for investing activities during the year ended April 30, 2011, which included the purchase of a short-term investment for \$800,000, the purchase of property, plant and equipment for \$51,000, and mineral property acquisition costs of \$518,979.

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**SUBSEQUENT EVENTS**

The following events occurred subsequent to April 30, 2012:

- On May 15, 2012 the Company completed a non-brokered private placement and issued 480,000 units at \$0.165 per unit, for gross proceeds of \$79,200. Each unit consists of one common share and one share purchase warrant, exercisable until May 15, 2017 at an exercise price per warrant of \$0.25 during the first year, \$0.40 during the second year, \$0.50 during the third year, \$0.75 during the fourth year and \$1.00 during the fifth year. The shares and warrants are subject to restrictions on resale until September 15, 2012.
- The Company is awaiting approval from the Exchange of the closing of the first tranche of the private placement, announced on July 10, 2012, for the issuance of 3,250,000 units. Each unit consists of one common share in the Company and one share-purchase warrant, exercisable for two years from the date of closing at a price of \$0.17 per share during the first year and \$0.25 per share during the second year.

**RELATED PARTY TRANSACTIONS**

**a) Management transactions**

The Company has identified certain senior officers as its key management personnel. The compensation costs for key management personnel for year ended April 30, 2012 and 2011 are as follows:

	<b>April 30, 2012</b>		
	Short-term employee benefits	Share-based payments	<b>Total</b>
McLeary Capital Management, Inc. (i)	\$ 120,000	\$ 261,366	<b>\$ 381,366</b>
Thomas Kordyback, CFO (ii)	5,400	-	<b>5,400</b>
Yale Resources Ltd. (iv)	55,536	-	<b>55,536</b>
Foremost Geological Consulting Ltd. (iii)	18,700	-	<b>18,700</b>

	<b>April 30, 2011</b>		
	Short-term employee benefits	Share-based payments	<b>Total</b>
McLeary Capital Management, Inc. (i)	\$ 20,000	\$ -	<b>\$ 20,000</b>
Mark McLeary; President and CEO	41,675	123,772	<b>165,447</b>
Thomas Kordyback, CFO (ii)	-	123,772	<b>123,772</b>
Ian Foreman, director	-	123,772	<b>123,772</b>
Yale Resources Ltd. (iv)	1,950	-	<b>1,950</b>
Michael Johnson, director	-	123,772	<b>123,772</b>

- (i) A private company controlled by the President and CEO, Mark McLeary. Total expenses of \$11,939 were reimbursed to Mark McLeary during the year ended April 30, 2012 (April 30, 2011 - \$252).
- (ii) Reimbursed expenses of \$2,651 were paid to the Company's CFO and director, Thomas Kordyback during the year ended April 30, 2012 (April 30, 2011 - \$nil)
- (iii) Private companies associated with a director of the Company, Ian Foreman. In addition, \$4,345 was paid to

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Foremost Management Services Ltd (also a private company associated with Ian Foreman) for employee health benefits (April 30, 2011 - \$nil). Total expenses of \$570 were reimbursed to Ian Foreman during the year ended April 30, 2012 (April 30, 2011 - \$210).

(iv) During the year \$10,218 of office rent and administrative costs were paid to Yale Resources Ltd., a public company with directors in common, during the year ended April 30, 2012 ((April 30, 2011 - \$6,968),

#### **FOURTH QUARTER**

During the quarter ended April 30, 2012, the Company incurred a net loss of \$951,179 compared to a net loss of \$318,695 for the quarter ended April 30, 2011. The increase in costs of \$632,484 arose primarily from an increase in exploration and evaluation costs of \$199,220; and increase in professional fees of \$62,794 and a foreign exchange loss of \$45,771. These increased costs were partially offset by a decrease in share based compensation of \$211,444.

#### **CONTINGENT LIABILITIES**

The Company has no contingent liabilities that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

#### **CONFLICTS OF INTEREST**

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which Silver Sun may participate, the directors and officers of Silver Sun may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, Silver Sun will follow the provisions of the BCBCA dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of Silver Sun's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of Silver Sun are required to act honestly, in good faith, and in the best interest of Silver Sun.

#### **OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS**

The Company did not enter into any off-statement of financial position arrangements during the year ended April 30, 2012.

#### **PROPOSED TRANSACTIONS**

The Company does not currently have any proposed-transactions approved by the Board of Directors. All current transactions are fully disclosed in the consolidated financial statements for the year ended April 30, 2012.

#### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements.



## **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

### Critical Accounting Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

#### *Impairment of assets*

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. An impairment loss of \$564,000 was recognized during the year ended April 30, 2012 (April 30, 2011 – \$160,000).

#### *Useful life of property, plant and equipment*

Equipment is depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of property, plant and equipment at April 30, 2012 was \$134,946 (April 30, 2011 - \$51,000).

#### *Share-based compensation*

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of comprehensive loss. For the year ended April 30, 2012 the Company recognized share-based compensation expense \$495,482 (April 30, 2011 - \$843,892).

### Critical Judgements Used In Applying Accounting Policies

In the preparation of the consolidated financial statements management has made judgements, aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the consolidated financial statements.

#### *Mineral properties under exploration*

Management is required to apply judgement in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral properties under exploration and subject to different accounting treatment. As at April 30, 2012 and April 30, 2011 management had determined that no reclassification of mineral properties was required.

#### *Income taxes*

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

#### *Foreign currency translation*

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of Lucky Boy Resources LLC and Golden Sun LLC is US dollars and for all other entities within the

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Group, the functional currency is Canadian dollars, as these are the currencies of the primary economic environment in which the companies operate.

**NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

The following accounting pronouncements have been released but have not yet been adopted by the Company.

**IFRS 9 *Financial Instruments***

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements

**IFRS 10 *Consolidated Financial Statements***

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee 12 Consolidation – Special Purpose Entities (SIC 12) and IAS 27 Consolidated and Separate Financial Statements (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

**IFRS 12 *Disclosure of Interests in Other Entities***

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

**IFRS 13 *Fair Value Measurement***

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

**Other**

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

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In June 2011, the IASB issued amendments to IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 11 Joint Arrangements, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 Stripping costs in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

**POLICIES AND TRANSITION TO IFRS**

International Financial Reporting Standards (IFRS) replaced the previous Canadian GAAP (CGAAP) for the Company, effective for its 2012 interim and annual consolidated financial statements. Accordingly, the Company is applying accounting policies consistent with IFRS for its consolidated financial statements for the year ended April 30, 2012.

The adoption of IFRS resulted in changes to the Company's accounting policies. The accounting policies disclosed in note 3 to the accompanying consolidated financial statements have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at May 1, 2010.

The impact of the transition from CGAAP to IFRS is explained in detail in note 17 to the accompanying consolidated financial statements. The changes in accounting policies have not been applied to any information for periods prior to May 1, 2010.

***First-time adoption of IFRS – Impact on May 1, 2010***

The first-time adoption of IFRS generally requires retrospective application of the resulting changes in accounting policies. Subject to certain optional exemptions and mandatory exceptions, the Company has applied the changes in accounting policies resulting from the adoption of IFRS retrospectively in the preparation of its opening IFRS statement of financial position as at May 1, 2010, the Company's "Transition Date".

The impact of first-time adoption of IFRS on the Company's opening IFRS statement of financial position is described in detail in note 17 to the accompanying consolidated financial statements.

The expected impact of changes in accounting policies, as was known at the time, was also disclosed in the Company's Management Discussion and Analysis for the year ended April 30, 2011.

***Impact of Changes in Accounting Policies on the Company's Financial Statements***

The adoption of IFRS resulted in changes to the Company's accounting policies. However, these changes have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

***Impairment Of (Non-financial) Assets***

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. CGAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

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IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. CGAAP prohibits the reversal of impairment losses.

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have a significant impact on the Company's financial statements.

*Decommissioning Liability (Asset Retirement Obligations)*

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current CGAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the financial statements.

*Share-based Payments*

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with stock option grants.

Due to the nature of the Company's stock options, these changes in accounting policies did not have a significant impact on the Company's financial statements.

*Functional currency*

IFRS requires that the functional currency of each company within the consolidated group be assessed individually, while under Canadian GAAP the functional currency of an integrated operation was the same as the reporting company. Under IFRS, where a company's functional currency differs from the presentation currency of the consolidated financial statements, all foreign exchange gains and losses arising on translation to the presentation currency are recognised in the statement of operations and comprehensive income as other comprehensive income.

***Reconciliation of Canadian GAAP to IFRS***

The following provides reconciliations and discussions of the statement financial position at the transition date of May 1, 2010 and at April 30, 2011, and summary reconciliations of the statements of comprehensive and statement of cash flows for the year ended April 30, 2011. The changes in accounting policies resulting from the Company's adoption of IFRS had no significant impact on financial statements for these comparative periods, other than a transfer within equity in respect of the fair value of options and warrants no longer outstanding (refer to note (i) below).

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**Reconciliation of the Statements of Financial Position:**

	Note	May 1, 2010			April 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>							
<b>Current</b>							
Cash		\$ 627,853	\$ -	\$ 627,853	\$ 507,807	\$ -	\$ 507,807
Short-term investments		-	-	-	800,000	-	800,000
Receivables		26,538	-	26,538	32,346	-	32,346
Prepaid expense		165,600	-	165,600	-	-	-
		819,991	-	819,991	1,340,153	-	1,340,153
<b>Non-current</b>							
Equipment		-	-	-	51,000	-	51,000
Exploration and evaluation assets		87,500	-	87,500	1,470,479	-	1,470,479
		87,500	-	87,500	1,521,479	-	1,521,479
<b>TOTAL ASSETS</b>		<b>\$ 907,491</b>	<b>\$ -</b>	<b>\$ 907,491</b>	<b>\$ 2,861,632</b>	<b>\$ -</b>	<b>\$ 2,861,632</b>
<b>LIABILITIES</b>							
<b>Current</b>							
Accounts payable and accrued liabilities		\$ 21,911	\$ -	\$ 21,911	\$ 32,945	\$ -	\$ 32,945
<b>SHAREHOLDERS' EQUITY</b>							
Share capital		1,433,950	-	1,433,950	4,077,278	-	4,077,278
Contributed surplus	(i)	140,068	(40,093)	99,975	882,132	(45,654)	836,478
Accumulated deficit	(i)	(688,438)	40,093	(648,345)	(2,130,723)	45,654	(2,085,069)
		885,580	-	885,580	2,828,687	-	2,828,687
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 907,491</b>	<b>\$ -</b>	<b>\$ 907,491</b>	<b>\$ 2,861,632</b>	<b>\$ -</b>	<b>\$ 2,861,632</b>

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**Summary reconciliation of the Statements of Comprehensive Loss:**

	Year ended April 30, 2011
<b>Total comprehensive loss</b>	
Net loss and total comprehensive loss per Canadian GAAP	\$ (1,442,285)
Adjustment on adoption of IFRS	-
<b>Net loss and total comprehensive loss per IFRS</b>	<b>\$ (1,442,285)</b>

**Summary reconciliation of the Statements of Cash Flows**

	Year ended April 30, 2011
Operating activities per Canadian GAAP	\$ (267,567)
Adjustment on adoption of IFRS	-
<b>Operating activities per IFRS</b>	<b>\$ (267,567)</b>
Investing activities per Canadian GAAP	\$ (1,369,979)
Adjustment on adoption of IFRS	-
<b>Investing activities per IFRS</b>	<b>\$ (1,369,979)</b>
Financing activities per Canadian GAAP	
Adjustment on adoption of IFRS	\$ 1,517,500
<b>Financing activities per IFRS</b>	<b>-</b>
	<b>\$ 1,517,500</b>

- (i) IFRS permits a transfer of reserves arising from share-based transactions, within equity. Therefore, at May 1, 2010 the fair value attributable to options and warrants outstanding at that date was transferred from contributed surplus to an "Equity settled share-based payment reserve" and the fair value attributable to outstanding warrants was transferred to a "Reserve for warrants and compensation options". The remaining balance of contributed surplus, which reflected the fair value of options and warrants no longer outstanding, was transferred to Accumulated Deficit.

During the year ended April 30, 2011, some options expired and therefore a further transfer, of the fair value attributable to these option, was made from the Equity settled share-based payment reserve to Accumulated Deficit.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

As at April 30, 2012, the Company's financial instruments are comprised of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the balances approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

Net smelter return royalties and related purchase provisions associated with mineral properties represent derivatives that are financial instruments. The fair value of such instruments, where reserves and economic feasibility have not been established, cannot be readily determined with reliability. Accordingly, management has not made a determination of fair value for these financial instruments. The Company is however exposed to currency risk from foreign currency fluctuations and manages that risk from foreign exchange fluctuations by limiting the terms to settlement. The Company has not entered into any foreign currency contracts to mitigate this risk.

## **OUTSTANDING SHARE CAPITAL DATA**

During the year ending April 30, 2012 the Company issued 1,450,000 shares and 475,000 warrants at a purchase price of \$0.56 and a 12 month term related to the Cherry Hill acquisition.

In addition, during the year ended April 30, 2012, 2,498,000 common shares were issued on the exercise of 2,000,000 options and 498,000 warrants, for total proceeds of \$508,500 and \$74,700 respectively.

As of April 30, 2012, the Company had 47,183,000 common shares issued and outstanding (April 30, 2011 – 43,235,000), 560,000 warrants (April 30, 2011 – 583,000), and, 2,900,000 options (April 30, 2011– 3,900,000) outstanding.

At April 30, 2012 there were no shares in escrow.

On May 15, 2012, an additional 480,000 shares have been issued in a non-brokered private placement for gross proceeds were \$79,200, resulting in a total of 47,663,000 common shares outstanding.

## **INVESTOR RELATIONS**

The Company entered into a 15 month agreement with Launch IR Inc. for investor relation services. (refer to "Liquidity and Capital Resources")

## **DISCLOSURE INTERNAL CONTROLS AND PROCEDURES**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109"), the Company utilizes the Venture Issuer Basic Certificate which does not include any representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities

legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **RISKS AND UNCERTAINTIES**

In conducting its business the Company, like all development-stage mineral exploration companies, is subject to a number of other risks and uncertainties, including those discussed below, that could have a material adverse effect the Company's business prospects or financial condition and could result in a delay or indefinite postponement in the development of the Company's properties and projects. See also "Forward-Looking Statements" above.

*Risks Associated with Exploration Stage Companies:* The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan, and the Company's Common Shares must be considered speculative, primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

*Exploration and Development:* Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, but not limited to, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consultants to assist in its risk management and to make timely and appropriate decisions.

*Geographic Risk:* The Company's property interests are located in Mexico and California. Operating in a foreign country has legal, political and currency risk that must be carefully considered to ensure their level is commensurate to the Company's assessment of the project. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and may adversely affect its business. In addition, shortages of skilled labor and deficiencies in infrastructure may negatively influence costs of exploration and development.

*Property Title Risk:* Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's exploration and evaluation asset interests may be



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subject to prior unrecorded agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties, which, if successful, could impair development and/or operations. This may be exacerbated due to the large number of title transfers historically involved with some of the properties.

*Operational Risks Associated with Our Mining Properties:* The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work, which may result in it losing its interest in the subject property.

*Government regulation may adversely affect the Company's business and planned operations:* The Company believes its exploration projects comply with existing environmental and mining laws and regulations affecting its operations. The Company's mining, processing, development and mineral exploration activities are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. The Company cannot guarantee that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. All of the foregoing could adversely affect the economic and financial viability of mining operations. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company's business and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

*Operating Hazards and Risks:* The exploration, development and production of mineral properties involve risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. A combination of experience, knowledge and careful evaluation may not be able to overcome these risks. Operations in which the Company has a direct or indirect interest will be subject to hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage. The nature of these risks is such that liabilities might exceed any insurance policy limits, the liabilities and hazards might not be insurable or the Company might not elect to insure itself against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect upon the Company's financial condition and operations and could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

*Environmental Risks Associated with our Operation:* The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. Failure to comply with such legislation may result in fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means standards and their enforcement are stricter and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

*Competition Risks:* The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical or financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers to be acceptable.

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*Risks Associated with Conflicts of Interest:* Certain directors and officers of the Company are also directors, officers and shareholders of other natural resource or public companies, as a result of which they may find themselves in a position where their duty to another company conflicts with their duty to the Company. There is no assurance that any such conflicts will be resolved in favor of the Company. If any of such conflicts are not resolved in favor of the Company, the Company may be adversely affected. In addition, the Company's President and CEO is currently a party to an investigation by the BC Securities Commission in respect of an unrelated company for, among other things, market manipulation. Any adverse consequences from the investigation itself, or its outcome, could substantially harm the Company's reputation or ability to raise financing or enter into other joint venture or similar types of arrangements. . The Company's Board of Directors established an independent committee to determine the appropriate course of action and the conclusion of that committee was that no action was required at this time.

*Market Risks:* Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of silver and gold which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its reserves to processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company.

*Fluctuating Metal Prices:* Factors beyond the control of the Company have a direct effect on global metal prices, which have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects and the Company's ability to finance the development of its projects cannot be accurately predicted and may be adversely affected by fluctuations in metal prices.

*Risks Associated with the Need for Additional Financing:* The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its property interests or to fulfill its obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of new projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders. The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

*Going Concern Risk:* The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

*Price Volatility of Publicly Traded Securities:* During the past year, global securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

*Global Financial Conditions:* Global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have received capital bail-outs or other relief from governmental

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authorities. As a result of these global conditions, the Company is subject to increased counterparty risk and liquidity risk. The Company is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the cash of the Company; and (ii) the insurance providers of the Company. As a result, the cash of the Company may become exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. In the event that a counterparty fails to complete its obligations, the Company would bear the risk of loss of the amount expected to be received under these financial instruments in the event of the default or bankruptcy of a counterparty. The Company is also exposed to liquidity risk in the event its cash positions decline or become inaccessible for any reason, or additional financing is required to advance its projects or growth strategy and appropriate financing is unavailable. Any of these factors may impact the ability of the Company to obtain further equity based funding, loans and other credit facilities in the future and, if obtained, on terms favorable to the Company. If these increased levels of volatility and market turmoil were to continue, the Company's results of operations and planned growth could be adversely impacted.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) database at [www.sedar.com](http://www.sedar.com).

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

Refer to note 7 in the consolidated financial statements for the year ended April 30, 2012 for description of the capitalized acquisition costs presented on a property-by-property basis.