Management Discussion & Analysis
for the three months ended August 31, 2017

Prepared as at October 11, 2017

Management's discussion and analysis ("MD&A") provides a discussion of Orosur Mining Inc. ("Orosur" or the "Company") financial and operating results for the quarter ended August 31, 2017 with comparisons to previous quarters.

This MD&A accompanies, and should be read in conjunction with, the unaudited condensed interim consolidated financial statements and selected explanatory notes of the Company for the three months ended August 31, 2017. All amounts are expressed in thousands of United States Dollars (US$), unless otherwise indicated. The reader should also refer to the audited consolidated financial statements and MD&A for the year ended May 31, 2017, both of which are available on SEDAR at www.sedar.com. The Company's unaudited condensed interim consolidated financial statements and the financial data presented in this document have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is effective as of October 11, 2017.

1. DESCRIPTION OF BUSINESS

Orosur Mining Inc. ("Orosur", "OMI" or the "Company") is a gold production, development and exploration company incorporated in Canada and operating in Uruguay, Chile and Colombia. The Company's common shares are listed on the Toronto Stock Exchange (symbol OMI) and the London Alternative Investment Market (symbol OMI).

In Uruguay, the Company operates the San Gregorio gold mining complex, the only producing gold operation in the country, in the northern Department of Rivera. Orosur has been exploring in Uruguay since 1996 and acquired the San Gregorio operation in October 2003. Currently, the Company is operating several open pits and the San Gregorio West underground mine ("SGW UG") in the San Gregorio district. The Company also has strategic land holdings throughout Uruguay, including active near mine and regional exploration programmes focused on increasing gold reserves and resources and annual production levels.

In Colombia, the Company has an exploration program in the wholly owned Anzá gold project located in the Middle Cauca Belt in Antioquia, Colombia which hosts such projects as Buriticá, Titiribí, Marmato and La Colosa. Recent activities include generating a geological model, carrying out initial metallurgical tests and taking over operatorship of the two underground gypsum mines in the Anzá concession, each of which have environmental and mining permits in place.

In Chile, the Company has an exploration program on the Anillo property, optioned from Corporación Nacional del Cobre de Chile ("Codelco"), Chile's national mining company, located close to Antofagasta, in Region II, Northern Chile. The Company also owns 25% of the Talca exploration asset located close to La Serena, north of Santiago.

The Company is focused on growth through its own exploration programs as well as evaluating and acquiring mining assets that have the potential to deliver additional reserves and resources to the Company either in production or to be brought into production in the short to medium term. The Company also has exposure to mineral opportunities in its portfolio, other than gold, through joint ventures and farm-out agreements primarily in Uruguay.

2. HIGHLIGHTS

Financial and operational highlights for the quarter ended August 31, 2017 ("Q1 18" or the "Quarter") include:

- On August 14, 2017, the Company raised gross proceeds of CDN$4,034 ($3,223) through a placing and subscription of 16,740,502 new common shares of no par value at a price of C$0.241 per subscription share, together with a grant of 8,370,251 unlisted warrants over new common shares on the basis of one subscription warrant for every two subscription shares at an exercise price of CDN$0.337 at any time and until August 14, 2020. Broker commissions and other related expenses of the issue amounted to $329. The net proceeds of this subscription are intended to be deployed for drilling and associated activities at the Company's highly prospective Anzá gold project in Colombia.
- Q1 18 production was 8,626 oz of gold, compared to 9,950 oz in Q1 17. 846 of these ounces were extracted from some historic stock of fine carbons containing gold, which were shipped to Ghana to be re-processed during Q2 18.
- 268,964 tonnes of ore were processed at a grade of 0.96 grams per tonne ("g/t") with recovery averaging 93.64%. This compares to 206,877 tonnes at 1.59 g/t and recoveries averaging 94.12% for Q1 17. The increase in tonnes of ore processed was offset by a lower ore grade processed and lower recovery.
- The average gold price realized for the Quarter was $1,260/oz (Q1 17: $1,324/oz), a decrease of 5%.
- Average cash operating cost was $901/oz, compared to $693/oz Q1 17. The difference is due to the processing of additional tonnes of ore at relatively lower grades, resulting into lower production, as well as a higher strip ratio. The Company expects to reach the annual guidance for cash operating cost of US$800 - US$900 per ounce.
- All-In-Sustaining Costs ("AISC") were $1,348/oz compared to $989/oz in Q1 17, an increase of 36%. The increase was due to higher cash costs and higher development and brownfield exploration.
- Corporate and administrative expenses were $645 (Q1 17: $467), representing a 38% increase as expected as a result of the Company's increased focus on corporate strategy and shareholder communications during the period and the reorganization and more activity related to Colombia
- Operating profit of the San Gregorio operation (contribution margin) was $2,140 compared to a profit of $5,181 in Q1 17. The decrease was due to lower revenue and higher operating costs as a consequence of the processing of more tonnes of ore at lower grades. Q2 18 grades are expected to be higher than Q1 18.
- Loss before tax was $287 compared to a profit of $2,759 in Q1 17. This was mainly due to a lower contribution margin and higher depreciation.
- Cash flow from operations before changes in working capital was $1,454 compared to $4,795 in Q1 17.

- The Company invested $2,900 in capital expenditures and $1,613 in exploration compared to $1,927 and $549 respectively in Q1 17. The Company has significantly increased its investment related to the construction of the SGW UG ramp, access and ventilation shaft compared to Q1 17. The variance in exploration spending year over year was primarily a result of the increased focus on expanding the Company's resources base in Uruguay with the aim of increasing mine life.
- The Company's cash balance at August 31, 2017 was $4,533 compared to $3,357 at May 31, 2017, with net working capital (current assets less current liabilities including cash) of $2,338 compared to $3,070 at May 31, 2017. The Company received net proceeds of $2,894 following a private placement.
- The Company's total debt at August 31, 2017 was $330 compared to $403 at May 31, 2017. This debt represents leases on small vehicles and two Volvo trucks.
- Orosur has a $1,500 committed and undrawn line of credit with Banco Santander available as at August 31, 2017, and as of the date hereof.
- Veta A, an exciting new underground project, is advancing swiftly, which has a higher grade, previously mined open pit which previously produced 29,000 oz @ 3.1 g/t between September 2006 and March 2008 and current probable reserves are 9,440 oz (122,328 tonnes @ 2.40 g/t Au). The Company is targeting a significant increase in reserves following positive drilling and mineralization conducted over 140 metres away from the current defined reserves. A recent geotechnical study by SRK in Veta A supports its feasibility.
- A district scale geological model has been completed in Q1 based on structural settings and is being used to search for additional significant discoveries in the 100 km long greenstone belt around San Gregorio ("SG"). This model has proved successful in explaining the historic deposits and has delivered some initial success at a new open pit deposit and it will be key to the strategic greenfield exploration of this belt which is designed to grow mine life and expand production using available spare capacity of the SG Carbon in Leach ("CIL") plant.
- In September, the Company purchased a Sandvik DE710 diamond drilling rig to accelerate exploration in Uruguay.
- On September 29, 2017, the Company engaged Logan Drilling Group International for up to 15,000m of diamond core drilling in connection with the Anzá gold project. Preparatory work is in place to commence drilling in October 2017, with the first drilling results expected to be announced in the Company's fiscal third quarter ending February 28, 2018. The objective is to delineate maiden resources and further define and expand mineralization potential.

3. OUTLOOK AND STRATEGY

The Company expects production from the San Gregorio mine in Uruguay for FY 18 to be between 30,000 - 35,000 ounces of gold, with operating costs of US$800 - US$900 per ounce.

At current gold prices, this will allow the Company to continue to focus on expanding its resource base in Uruguay both from underground and surface operations, with the aim of increasing its mine life and/or increasing production by utilising the spare capacity in the San Gregorio plant.

As in the past, variations in production and unit costs will occur quarter on quarter as the mine plan draws ore from several sources at varying grades and stages of development or stripping. The Company plans to achieve its production and cost targets over the course of the year.

The Company expects to shortly commence a 15,000m drilling campaign in its highly prospective Anzá project in the mid-cauca belt of Colombia. The Company will update the market with drilling results during the year as the program advances.

4. OVERVIEW OF FINANCIAL RESULTS

4.1 Selected financial information

During the Quarter, the Company reported a loss after taxes of $290 compared to a profit of $2,759 for Q1 17. Operating profit (contribution margin) from the San Gregorio operation before depreciation was $2,140 compared to $5,181 in Q1 17. The decrease was due to lower revenue and higher operating costs sales as a consequence of the processing of more tonnes of ore at lower grades. Contribution margin is a non-IFRS measure which is explained in section 11 of this MD&A.

Table 1 shows the profit/(loss) breakdown and contribution margin composition.

Table 1 –Profit/(Loss) breakdown

	Q1 18	Q2 17	Reference
	$	$	
Revenue	11,951	12,658	4.2
Cost of sales (except depreciation)	(9,811)	(7,477)	4.4
Contribution margin	2,140	5,181	
Mine site depreciation	(1,961)	(1,767)	4.5
Gross profit	179	3,415	
Exploration expenses and write off	(10)	(9)	
Obsolescence provision	(35)	(88)	
Corporate expenses	(645)	(467)	4.6
Restructuring costs	(60)	124	4.6
Other net gains/(losses)	284	(216)	4.6
Net profit/(loss) before taxes	(287)	2,759	
Income tax provision	(3)	-	4.7
Net profit/(loss) after taxes	(290)	2,759	
Cumulative translation adjustment	(278)	(37)	
Total comprehensive profit/(loss)	(568)	2,722	
Basic profit/(loss) per share (cents per share)	$ 0.00	$ 0.03	

Table 2 below shows the main movements in the balances of current and non-current assets and liabilities, financial outstanding liabilities and shareholder's equity as at August 31, 2017 compared to May 31, 2017 and 2016.

Table 2 – Assets and liabilities selected information

	As of August 31, 2017	As of May 31, 2017	As of May 31, 2016
	$000's	$000's	$000's
Total non-current assets	40,158	37,731	30,661
Total current assets	17,265	18,033	18,159
Total assets	57,423	55,764	48,820
Total liabilities	20,486	20,569	16,625
Total financial liabilities	330	403	352
Total shareholders' equity	36,937	35,195	32,195

4.2 Sales

Sales include gold and silver sales as shown in Table 3. Total sales of gold for the Quarter were $11,861 with 9,411 ounces of gold sold at an average price of $1,260/oz. This compares to $12,489 for Q1 17 with 9,434 ounces of gold sold at an average price of $1,324/oz. Silver sales for the Quarter were lower than Q1 17.

Table 3 – Sales Composition

Q1 18	$000's	Ounces	$ per oz
Gold	11,861	9,411	1,260
Silver	90	5,366	17
Total Sales	**11,951**		

Q1 17	$000's	Ounces	$ per oz
Gold	12,489	9,434	1,324
Silver	169	8,822	19
Total Sales	**12,658**		

4.3 Production statistics

Key production statistics are shown in Table 4. During the Quarter, 1,092,440 tonnes were mined (Q1 17 – 1,013,270 tonnes), including 909,718 tonnes of waste (Q1 17 – 819,457) and 182,723 tonnes of ore (Q1 17 – 193,814) with an average grade of 1.22 g/t (Q1 17 – 1.65 g/t), to provide a final strip ratio for the quarter of 4.98 tonnes of waste to 1 tonne of ore (Q1 17 – 4.23).

Approximately 60% of the ore mined during the current period came from SGW UG underground operation, and 40% from Veta Rey open pit and other small open pits.

Table 4 – Key production statistics

		Q1 18	Q1 17
Waste	tons (000's)	910	819
Ore	tons (000's)	183	194
Total mined	tons (000's)	1,092	1,013
Grade mined	Grams / tons Au	1.22	1.65
Strip ratio	Waste / Ore	4.98	4.23
Ore processed	tons (000's)	269	207
Grade processed	tons (000's)	0.96	1.59
Recovery	%	93.64	94.12
Gold produced	Ounces	8,626	9,950

(Thousands of United States Dollars, except where indicated)

All ore sources have different structural characteristics and grades resulting in variability of production quarter on quarter. Quarterly production statistics are provided in Table 5.

Table 5 - Quarterly production statistics

	Q2 16 Nov 15	Q3 16 Feb 16	Q4 16 May 16	Q1 17 Aug 17	Q2 17 Nov 17	Q3 17 Feb 17	Q4 17 May 17	Q1 18 Aug 18
Ore processed (tonnes)	199,352	194,197	273,498	206,877	232,964	226,193	312,495	268,964
Grade processed (g/t Au)	1.36	1.24	0.96	1.59	0.99	1.15	1.15	0.96
Recovery (%)	93.52	93.76	92.95	94.12	92.19	93.77	93.27	93.64
Gold produced (ounces)	8,172	7,274	7,856	9,950	6,852	7,820	10,748	8,626

During the Quarter, 268,964 tonnes of ore (Q1 17 – 206,877) were fed into the plant at an average grade of 0.96 g/t (Q1 17 – 1.59 g/t) to produce 7,780 ounces of gold (Q1 17 – 9,950) with a metallurgical recovery of 93.64% (Q1 17 – 94.12%). 846 of the ounces produced were obtained from some historic stock of fine carbons containing gold and shipped to Ghana to be re-processed. From this operation, the Company will receive a 20% margin on gold price. The total production for the period was 8,626 ounces.

The increase in tonnes of ore processed was offset by a lower ore grade processed and lower recovery. Some of the planned high-grade stopes of SGW UG could not be mined during Q1 18, and as a consequence, Despite the mine drawing ore from sources at lower grades, gold production and cash operating costs were in line to achieve the Company's 30,000 – 35,000 oz production guidance and between US$800 to US$900/oz operating cash costs for the full year.

4.4 Production costs

Total operating costs (excluding depreciation) were $9,811 for the Quarter, equivalent to cash operating costs of $901/oz compared to Q1 17 cash operating costs of $7,477 for ($693/oz).

AISC of $1,348/oz for the Quarter compared to $989/oz in Q1 17. The increase was due to higher cash costs and higher development and brownfield exploration During Q1 17, most of the UG development was from Arenal which was in its final stage of production and there was very little development associated with SGW UG. During Q1 18, the additional development capex is associated with the SGW UG mine, including ramp, access and ventilation shaft work and the increase in brownfield exploration. The increase in brownfield was the result of a plan to expand the Company's resource base in Uruguay with the aim of increasing its mine life and production for the year.

Table 6 provides the reconciliation of cost of sales as stated in the Company's financial statements to all in sustaining cost per ounce. This is a non-GAAP measure which is explained in section 11 of this MD&A.

(Thousands of United States Dollars, except where indicated)

Table 6 - Reconciliation of Operating costs to cash cost per ounce

	Q1 18 $	Q1 17 $
Cost of sales as per financial statements	11,772	9,243
Depreciation	(1,961)	(1,766)
Operating expenses excluding depreciation	9,811	7,477
Movement in non-ore inventories	(1,480)	358
Silver credit	(189)	(494)
Mining royalties and other production taxes	(367)	(445)
Total cash costs before taxes (A)	**7,775**	**6,896**
Mining royalties and other production taxes	367	445
Total cash costs after taxes (B)	**8,142**	**7,341**
Corporate costs	503	362
Reclamation and remediation	79	79
Brownfield exploration	651	200
Capital expenditure	2,253	1,862
All in sustaining costs (C)	**11,628**	**9,844**
Gold production in ounces (D)	8,626	9,950
Cash operating cost per ounce (A)/(D)	**901**	**693**
Total cash cost per ounce (B)/(D)	**944**	**738**
All in sustaining cost (C)/(D)	**1,348**	**989**

4.5 Depreciation

The total depreciation for the Quarter was $1,961 compared to $1,766 in Q1 17. Depreciation includes straight line depreciation of fixed assets for the mine site, exploration and corporate segments of operation, depreciation of tangible development, depreciation of exploration and evaluation costs associated to pits under commercial production based on contained ounces of gold in ore mined, and the depreciation of the environmental costs for rehabilitation that are recognized over the life of the mine. Mine site depreciation of fixed assets includes the depreciation of heavy equipment and major spare parts, plant facilities, tailings dam facilities and other mining site infrastructure. Tangible development depreciation includes depreciation of pre-stripping activities realized to access ore bodies and depreciation of the ramp and access to the reserves of the underground operation. Exploration and evaluation depreciation includes the depreciation of previously capitalized expenditure incurred to discover and outline pit reserves and resources. Table 7 provides a breakdown of depreciation.

(Thousands of United States Dollars, except where indicated)

Table 7 - Depreciation composition

	Q1 18	Q1 17
	$	$
Tangible fixed assets	840	661
Tangible underground development costs	1,000	936
Environmental rehabilitation provision	60	60
Other exploration and evaluation costs *(i)*	61	110
Total depreciation	**1,961**	**1,767**
Exploration equipment depreciation	(2)	(3)
Corporate facilities depreciation	-	(4)
Mine site depreciation	**1,959**	**1,760**

(i) Other exploration and evaluation costs relate to capitalized costs associated with the discovery and resource definition of satellite projects in production during the period. For these assets, depreciation is calculated using the units of production method based on the estimated proven and probable reserve of each pit. As a consequence, depreciation may vary significantly from quarter to quarter, and with respect to the previous year, according to which pit is under production in such period and how much gold is produced. This quarter, all the depreciation of other exploration and evaluation costs is due to Veta Rey which was the main open pit in production during this period.

4.6 Corporate expenses and other gains and expenses

Corporate expenses and other gains and expenses include corporate overhead costs, stock based compensation expense, net finance costs, foreign exchange gains and losses, sales from asset disposition and other miscellaneous items. A breakdown of such income and expenses is shown in Table 8.

(Thousands of United States Dollars, except where indicated)

Table 8 - Corporate expenses and other gains and losses composition

	Q1 18	Q1 17
	$	$
Director's fees and executive remuneration and benefits	288	227
Investor relations	72	55
Listing and regulatory expenses	58	57
Audit fees	49	48
Exploration site general and administrative	167	48
Corporate depreciation	-	4
Management stock based compensation	11	28
Total corporate expenses	645	467
Foreign exchange loss/gain	(252)	101
Net finance cost	97	465
Restructuring cost/(recovery)	60	(124)
Other gains	(129)	(350)
Total other net (gains)/losses	(224)	92

Corporate overheads include corporate administration expenses in Uruguay, Chile, Colombia and Canada, holding structure costs, listing and regulatory expenses, directors' fees, executive remuneration, shareholder communications and associated costs related to corporate work to maintain and develop the business. Executive salaries and benefits related to site work are shown under cost of sales.

For the Quarter, the corporate costs were $645 (Q1 17: $467), representing a 38% increase as expected. The Company has increased its focus on corporate strategy and shareholder communications during the period, explaining the differences in the main corporate items shown in the table. In Q1 17 some Directors and officers received options in lieu of 20% of their standard cash compensation which explains the difference between both periods. Exploration site general and administrative are higher as a result of the reorganization and more activity related to Colombia.

Net finance cost includes interest expense derived from the credit line facilities with Santander Bank and also the derivative loss related to forward contracts for the period.

(Thousands of United States Dollars, except where indicated)

Other gains for both periods are mainly due to the sale of crushed rock, income from the San Gregorio laboratory which performs work for other companies and income from leasing and the exploration camp in Colombia.

4.7 Income tax

Table 9 - Current and deferred income tax composition

	Q1 18	Q1 17
	$	$
Current income tax provision	(3)	-
Income tax provision	**(3)**	**-**

Income tax expense for the quarter showed a provision of $3 compared to no income tax expense for Q1 17. The Company's only revenue generating jurisdiction is Uruguay. The statutory income tax rate of Uruguay is 25%. A detail of current and deferred income tax is shown in Table 9 above.

The deferred income tax provision (recovery) relates to property, plant and equipment and development costs tax assets, as well as the fiscal losses. Both of them represent future income tax deductions denominated in Uruguayan pesos. When translated to US dollars, these amounts may increase or decrease based on the current exchange rate of the Uruguayan peso (UY$) against the US dollar (US$).

Table 10 shows the composition of the main components of the deferred tax assets.

Table 10 - Deferred tax assets composition

	As of August 31, 2017 $	As of May 31, 2017 $
Property, plant and equipment and development costs	2,152	1,375
Other net assets	963	1,740
Deferred income tax asset	**3,115**	**3,115**

The Company has recognized $3,115 of deferred tax assets in respect of Uruguayan tax losses on the basis that sufficient taxable profit will be generated in order to utilize the benefit of such losses.

(Thousands of United States Dollars, except where indicated)

5. FINANCIAL POSITION

5.1 Cash and other liquid resources

Table 11 - Cash increase/(decrease)

	Ref.	Q1 18 $	Q1 17 $
Cash flow from operations before changes in working capital		1,454	4,795
Working capital	5.2	1,334	(1,594)
Site capital expenditure	5.3	(2,900)	(1,927)
Sale of fixed assets		10	-
Exploration investment	5.3	(1,613)	(549)
Funding	5.4	2,891	(63)
Cash increase/(decrease)		**1,176**	**662**

Cash flow from operations includes the results from the San Gregorio operations less the cost of corporate expenses, exploration expenditure that is not capitalized, finance interest and income taxes. Cash flow generated by operations before the use of working capital was $1,454 (Q1 17: $4,795).

At August 31, 2017, Orosur had cash resources of $4,533 compared to $3,357 at May 31, 2017. Cash increased by $1,176 during the Quarter. Table 11 shows the main cash movements.

5.2 Working capital items

As shown in Table 11, there was a return of working capital of $1,334 in the Quarter compared to an investment of $1,594 for Q1 17, resulting in net cash inflows from operations of $2,788 and $3,201 after working capital movements respectively. Table 12 shows a detail of investment in working capital.

Table 12 – Working capital

	Q1 18 $	**Q1 17 $**
Cash flow from operations before changes in working capital	1,454	4,795
Warehouse inventories	350	(425)
Stockpile	(60)	(29)
Other production inventories	1,480	(358)
Trade payables and other accrued liabilities	(585)	(474)
Tax credits and other debtors	149	(308)
	1,334	(1,594)
Cash flow from operations including changes in working capital	2,788	3,201

(Thousands of United States Dollars, except where indicated)

Inventory of medium grade stockpiles increased by $60 during the quarter compared to an increase of $29 in Q1 17. Low grade ore stockpile for potential future processing is carried at zero value. High and medium ore stockpile are valued at the lower of average cost or net realizable value.

Changes in tax credits variations are due to the timing in receiving VAT refunds from the Uruguayan Government and its final application.

5.3 Capital expenditure

Capital expenditure on property, plant and equipment and mineral properties, net of fixed assets sales, was $2,900 for the Quarter compared to $1,927 for Q1 17.

The Company has significantly increased its investment related to the construction of the SGW UG ramp, access and ventilation shaft compared to Q1 17. During Q1 17, most of the UG development was from Arenal which was in its final stage of production and there was very little development associated with SGW UG.

Cash exploration and evaluation investment incurred in Uruguay, Chile and Colombia is shown in Table 13 below. In Q1 18, cash exploration expenditure was $1,613 compared to $549 for Q1 17.

The increase was the result of expanding the Company's resource base in Uruguay with the aim of increasing its mine life.

Table 13 – Exploration investment by area

Project Area	Uruguay	Chile	Colombia	Total
Opening balance, May 31, 2017	3,697	6,725	7,255	17,677
Cash expenditure	1,292	100	221	1,613
Foreign exchange movement	-	-	(108)	(108)
Write off	(10)	-	-	(10)
Closing balance, August 31, 2017	4,979	6,825	7,368	19,172

Project Area	Uruguay	Chile	Colombia	Total
Opening balance, May 31, 2016	4,418	6,407	6,426	17,251
Cash expenditure	289	100	159	549
Foreign exchange movement	-	-	(62)	(62)
Write off	(9)	-	-	(9)
Closing balance, August 31, 2016	4,698	6,507	6,523	17,729

(Thousands of United States Dollars, except where indicated)

5.4 Funding

During the Quarter, the Company made three instalment payments on the credit facilities used to finance small vehicles and two Volvo trucks with Banco Santander (Uruguay) S.A ($72). The Company is following the contracted schedule of lease repayments with Banco Santander.

On August 14, 2017, the Company raised gross proceeds of CDN$4,034 ($3,223) through a placing and subscription of 16,740,502 new common shares. Broker commissions and other related expenses of the issue amounted to $329 (total net amount: $2,894). The net proceeds of this subscription are intended to be deployed for drilling and associated activities at the Company's highly prospective Anzá gold project in Colombia.

Asset Chile contributed $85 in June 2017, regarding Anillo project, toward the minimum expenditure requirement.

5.5 Financial instruments

The composition and measurement of the Company's financial instruments, and the Company's action to manage different types of financial risks are discussed in Note 16 and 17 of the audited consolidated financial statements for the year ended May 31, 2017.

5.6 Contractual obligations and commitments

The Company's contractual obligations and commitments are as follows:

Table 16 – Financial maturity dates

	Total	Less than 1 Year	1-2 Years
Santander loan for mobile fleet	330	156	174
Total	330	156	174

Commitments derived from exploration farm-outs and acquisition agreements are disclosed in Note 8 of the audited financial statements for the year ended May 31, 2017 and Note 6 of the interim financial statements for the period ended August 31, 2017.

Commitments for environmental rehabilitation are disclosed in note 10 of the audited financial statements for the year ended May 31, 2017. The Company, as normal practice, performs restoration work prior to the closure date and in accordance with the Uruguayan Environmental Agency. Such liabilities are recorded as liabilities of the company. Uruguayan mining and environmental legislation requires environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of $1,300 has been provided by Santander Bank (Uruguay) S.A and an environmental guarantee for $5,000 have been provided by AIG, a Uruguayan local insurance company.

6.6 Outstanding share data

The Company has an authorized capital of unlimited number of common shares of no par value. As of October 11, 2017, the Company has a total of 117,586,905 issued shares outstanding. It has additionally 5,134,092 unexercised vested stock options to acquire common shares of the Company.

On August 14, 2017, the Company raised gross proceeds of CDN$4,034 ($3,223) through a placing and subscription of 16,740,502 new common shares of no par value at a price of C$0.241 per subscription share, together with a grant of 8,370,251 unlisted warrants over new common shares on the basis of one subscription warrant for every two subscription shares at an exercise price of CDN$0.337 at any time and until August 14, 2020. Broker commissions and other related expenses of the issue amounted to $329. The net proceeds of this subscription are intended to be deployed for drilling and associated activities at the Company's highly prospective Anzá gold project in Colombia.

On August 31, 2017 and on October 11, 2017, there were 7,199,093 options outstanding, of which 5,134,092 were vested and exercisable (May 31, 2017 – 7,222,426 and 5,134,092, respectively). The weighted average exercise price of the options outstanding at August 31, 2017 was CDN$ 0.19 (May 31, 2017 – CDN$ 0.19).

No dividends were paid during the quarters ended August 31, 2017 and 2016.

6. QUARTERLY RESULTS ($'000)	Q1 16 Aug-15	Q2 16 Nov-15	Q3 16 Feb-16	Q4 16 May-16	Q1 17 Aug-16	Q2 17 Nov-16	Q3 17 Feb-17	Q4 17 May-17	Q1 18 Aug-17
Gold sold (ounces)	12,510	9,158	7,746	7,370	9,434	8,485	7,304	9,515	9,411
Average sales price ($/oz)	1,147	1,100	1,143	1,253	1,324	1,252	1,198	1,246	1,260
Cash cost before taxes ($/oz)	954	858	803	845	693	914	858	879	901
Total cash cost ($/oz)	1,009	802	763	915	738	958	904	952	944
Sales	14,465	10,190	8,936	9,275	12,658	10,765	8,845	11,958	11,951
Cost of sales (excluding depreciation)	(13,201)	(8,336)	(6,809)	(7,752)	(7,477)	(8,504)	(6,997)	(10,150)	(9,811)
Mine site depreciation	(1,814)	(1,814)	(1,378)	(969)	(1,766)	(1,063)	(1,379)	(2,935)	(1,961)
Cost of sales	(15,015)	(10,150)	(8,187)	(8,721)	(9,243)	(9,567)	(8,376)	(13,085)	(11,772)
Gross profit / (loss)	**(550)**	**40**	**749**	**554**	**3,415**	**1,198**	**469**	**(1,127)**	**179**
Corporate expenses	(631)	(559)	(474)	(486)	(467)	(764)	(457)	(710)	(645)
Restructing costs	(1,114)	(580)	(217)	202	124	164	(144)	(1)	(60)
Exploration expenses and write off	(18)	7	(3)	(337)	(9)	(2)	(6)	(114)	(10)
Impairment of assets	-	-	-	(4,229)	-	-	-	-	-
Obsolescence provision	-	-	-	(39)	(88)	(12)	(1)	(12)	(35)
Other net gain (losses)	571	219	3,032	705	(216)	383	496	(91)	284
Income (loss) before taxes	**(1,742)**	**(873)**	**3,087**	**(3,630)**	**2,759**	**967**	**357**	**(2,055)**	**(287)**
Income tax recovery (loss)	16	3	(16)	1,945	-	(25)	6	576	(3)
Net income (loss) for the period	**(1,726)**	**(870)**	**3,071**	**(1,685)**	**2,759**	**942**	**363**	**(1,479)**	**(290)**
Basic earnings (loss) per share	(0.02)	(0.01)	0.03	(0.01)	0.03	0.01	0.00	0.00	(0.00)
Diluted earnings (loss) per share	(0.02)	(0.01)	0.03	(0.01)	0.03	0.01	0.00	0.00	(0.00)
Cash flow from operations	**1,403**	**(37)**	**1,206**	**3,991**	**3,201**	**4,884**	**533**	**(2,054)**	**2,788**
Cash used for financing	359	(358)	(357)	(62)	(63)	(64)	(64)	(227)	2,891
Cash invested	(1,960)	(1,594)	(1,521)	(1,660)	(2,476)	(4,444)	(3,667)	(3,170)	(4,513)
Cash on hand	4,622	2,633	1,961	4,320	4,982	5,376	2,400	3,357	4,533
Total Assets	**53,111**	**49,439**	**50,315**	**48,820**	**51,010**	**53,500**	**53,311**	**55,764**	**57,423**
Shareholders' Equity	**31,454**	**30,495**	**33,633**	**32,195**	**34,968**	**36,028**	**36,577**	**35,195**	**36,937**

7. RELATED PARTY TRANSACTIONS

The Company owns 100% of all of its subsidiaries, with the exception of Anillo SPA, which is currently 82% owned by Orosur. Figures contained in this MD&A document include the accounts of Orosur and its subsidiaries and all inter-company transactions have been eliminated on consolidations. Note 10 of the unaudited interim consolidated financial statements for the period ended August 31, 2017 discloses the Company's list of subsidiaries.

8. RISKS AND UNCERTAINTIES

The Company's net earnings in the near-term are affected principally by its mining operations and, in the longer term, will be affected primarily by the success or failure of its exploration and development activities and the selling price of gold. The Board recognizes that the exploration and development of natural resources is a speculative activity that involves a large number of uncertainties, and a degree of financial risk. Accordingly, the Board considers the risks to which the Company is exposed as part of its regular operations, and keeps these under review.

The principal risks are considered to be those set out below.

Sensitivity to commodity prices and foreign exchange rates

The Company's revenues, net earnings and cash flow from operations are affected materially by changes in the price of gold. Gold has historically been subject to large price fluctuations, and is affected by factors which are unpredictable, including international economic and political conditions, speculative activities, the relative exchange rate of the US dollar with other currencies, inflation, global and regional levels of supply and demand and the gold inventory levels maintained by producers and others. The gold price has experienced a significant period of decline and the consensus outlook remains generally negative.

The Company's gold sales are priced in US dollars while its operating, exploration and administrative costs are predominantly incurred in US dollars, Canadian dollars, and Chilean, Colombian and Uruguayan pesos. The Company has financial exposure to foreign exchange fluctuations in the Uruguayan, Chilean and Colombian peso and the Canadian dollar relative to the US dollar.

Key Personnel Risks

Recruiting and retaining qualified personnel is critical to the Company's success. The number of skilled mining and exploration professionals in Uruguay is limited and competition for such persons is intense in the global mining industry. As the Company's business activity continues to grow, it will be required to hire additional personnel and retain the services of key personnel. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Exploration, Mining and Operational Risks

The Company's longer-term strategy depends to a certain extent on its ability to find commercial quantities of minerals within Uruguay, and to obtain and retain appropriate access to these minerals. The Board cannot guarantee that it will be able to identify appropriate properties, or negotiate acquisitions, on favourable terms.

The Company currently has one producing asset, the San Gregorio mine. As more of its projects mature, the Board expects that more projects will develop into producing assets. In common with all mining operations, there is uncertainty, and therefore risk, associated with operating parameters and costs. Whilst costs can be budgeted with a reasonable degree of confidence, operating parameters can be difficult to predict and are often affected by factors outside the Company control. In addition, other risks, including cuts in electricity supply, fuel supply shortages, industrial accidents, technical failures, labour disputes and environmental hazards are also beyond the Company's control.

The nature of resource and reserve quantification studies means that there can be no guarantee that estimates of quantities and grades of minerals will be available to extract. The figures for reserves and resources estimates are determined in accordance with National Instrument 43-101, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and resources.

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. There is no assurance that commercial quantities of ore will be discovered on any of Orosur's exploration properties. There is no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced.

The Company's business activities are also affected to varying degrees by government regulations respecting, among other things, tax, royalties, utilities service supply, mining legislation and environmental legislation changes.

Title Risks

Individual titles expire from time to time and the Company manages the process of retaining its rights by re-application or conversion to other forms of title relevant to each stage of development. The process of re-application involves some risk however, as released titles must fall open before they can be re-applied for.

There can be no guarantee that the State in the jurisdictions in which the Company operates will continue to grant or respect mining titles, and that the titles of the properties will not be challenged or negated for political or legal reasons.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company manages liquidity risk by proactively forecasting its liquidity requirements with available funds and anticipated cash flows, by maintaining adequate reserves and banking facilities and by matching the maturity profiles of financial assets and liabilities. However, the Company has an interest in maintaining a strong investment and exploration program to extend the mine life of its existing mines, or develop new mines, and a significant proportion of the program is discretionary, thereby providing a degree of flexibility. The Company has significantly reduced its operating and administrative costs and has been utilizing its cash flow from SGW UG and open pit operations to fund its exploration programs this year.

Political and Economic Risks

Political conditions in the countries where the Company operates are stable. Changes may however occur in political, fiscal and legal system that might affect the ownership or operation of the Company's interests, including inter alia, changes in exchange control regulations, expropriation of mining rights, changes of government and in legislative and regulatory regimes.

9. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By definition, estimates and assumptions seldom equal actual results and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, and to the amounts of revenues and expenses presented in these financial statements. The areas which require management to make significant judgments, estimates and assumptions are discussed below:

i) Economic lives of mining assets and recoverable value – Reserves: The economic lives of the Company's mining operation and development assets are based upon the individual mine's mineral reserves. The Company's resources and reserves are calculated in accordance with mining standards and in compliance with National Instrument 43-101 Standards of disclosure for Mineral projects ("NI 43-101"). The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The Company reviews and re-evaluates the estimated future discounted net cash flows of its mines and development properties on a regular basis, to ensure that they exceed the carrying value for each property. These calculations rely on the estimated reserves and/or resources, estimated future commodity price and production cost.

ii) Inventory: Expenditure incurred and depreciation of assets as a result of mining and processing activities is deferred and accumulated as the cost of ore in stockpiles, gold in circuit and finished metals inventories, on units based on estimated volumes and grades as a result of assays and other sampling tests. These deferred amounts are carried at the lower of average cost or net realizable value. Write downs of such inventories are reported as a component of current period costs and are influenced by the prevailing and long-term metal prices, prevailing costs for production inputs, realized ore grades and production schedules.

iii) Environmental rehabilitation provisions: The fair value of the liability is determined based on the net present value of estimated future costs estimated by management based on feasibility and engineering studies on a site by site basis. While care was taken to estimate the retirement obligations, these amounts are estimates of expenditures that are not due until future years; The Company assesses its provision on an annual basis or when new material information becomes available.

iv)Share based compensation: The Company uses the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipated life of the option and the volatility of the Company's share price;

v) Deferred income tax assets and liabilities: Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the carrying amount of deferred income taxes;

vi) Exploration and evaluation expenditure: The recoverability of amounts shown for capitalized exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves.

10. DISCLOSURE CONTROLS AND PROCEEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Continuous Disclosure Policy Procedure, our Code of Business Conduct and Ethics, our Insider Trading Policy and Share Trading Code and Price Sensitive Information Policy, our Whistleblower Policy, Release of Public Information Policy and the effective functioning of the Audit Committee and Board of Directors.

As at the end of the period covered by this MD&A, management of the Company, with the participation of the President and CEO and the CFO, does not expect that the Company's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud and error, if any, within the Company have been detected.

As at the end of the period covered by this MD&A, management of the Company, with the participation of the CEO and the CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the President and CEO and the CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Multilateral Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined therein, for the Company, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that the Company has disclosed any changes in its ICFR during its most recent interim period that has materially affected, or is reasonably likely to materially affect its financial reporting.

As discussed above, the inherent limitations in all controls systems are such that they can provide only reasonable, not absolute, assurance that all controls issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During the period covered by this MD&A, the Company's senior management, including CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the quarter which materially affected, or are reasonably likely to materially affect, the Company's ICFR.

11. NON- GAAP MEASURES

The Company is of the opinion that conventional measures of performance prepared in accordance with IFRS do not meaningfully demonstrate the Company's financial performance and the ability of its operations to generate cash flow. Therefore, the Company has included certain non-IFRS measures in this MD&A to supplement its financial statements which are prepared in accordance with IFRS.

Contribution margin, gross profit or loss, cash flow from operations, cash costs per ounce and all-in-sustaining costs ("AISC") are not measures that have any standardized meaning prescribed by IFRS and are considered non IFRS measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. Contribution margin has been calculated by deducting operating expenses from sales. Operating expenses include movements in inventories but exclude operating amortization and depletion. Gross profit or loss is calculated by deducting depreciation from contribution margin. Cash costs per ounce are determined according to the Gold Institute Standard and consist of site costs for all mining, processing, administration, royalties, refining charges, silver credits and inventory adjustments relating to metal production. Cash costs per ounce are total cash costs divided by gold ounces produced. AISC add corporate costs, reclamation and remediation, brownfield exploration and capital expenditure to total cash cost, sustaining for the operation. AISC per ounce are all-in-sustaining costs divided by gold ounces produced.

12. FORWARD LOOKING STATEMENTS

Certain information contained in this Management Discussion and Analysis constitutes "forward- looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and forward looking information under applicable Canadian Securities Legislation. Such forward-looking statements or information, included but not limited to those with respect to prices for gold, estimated future production, estimated costs of production, the Company's hedging policy involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information. Important factors that could cause actual results to differ materially from those in the forward looking statements contained herein include among others, gold price, weather, exploration results, development and mining activities, geotechnical assumptions, environmental approvals and the availability of technical personnel.