

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All monetary amounts are expressed in thousands of United States dollars unless otherwise stated, except for per ounce amounts and share and per share amounts)

For the years ended May 31, 2017 and 2016

This MD&A accompanies, and should be read in conjunction with, the audited consolidated financial statements and accompanying notes of the Company for the two years ended May 31, 2017 and 2016. Additional information relating to the Company, including press releases, have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online at www.sedar.com or on the Company's website at www.orosur.ca. The Company's 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 August 29, 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. In the previous fiscal year, the Company completed an exploration programme

including 12 reverse circulation (“RC”) drill holes totalling 3,600m. 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. KEY RESULTS

Financial and operational highlights for the year ended May 31, 2017 (“FY17”) include:

- Production for the year was 35,371 oz of gold, in line with the stated guidance (35,000-40,000 oz), compared to 35,773 oz produced in the previous year.
- In line with expectations, the San Gregorio West Underground mine (“SGW UG”) commenced full production at the end of November 2016, following a safe and efficient development and transition period. Construction in FY17 included horizontal development of 2,179m, including 771m of mineralized development and a ventilation shaft, with raise boring having concluded in December 2016. This represents approximately 59% of the total development planned at SGW UG.
- During the year, 978,529 tonnes of ore were processed at a grade of 1.21 g/t with recovery averaging 93.41%. This compares to 1,013,104 tonnes at a grade of 1.19 g/t with recovery averaging 92.54% for FY16.
- The average gold price realized for the year was \$1,258/oz (FY16: \$1,154/oz), an increase of 9%.
- Cash operating costs for the year were \$829/oz (FY16: \$877/oz), a reduction of 6%, due primarily to lower operating costs related to lower tonnes transported and processed at higher recoveries during the year. The Company successfully reached its cash operating cost guidance of US\$800 - 900/oz for the year.
- All-in-sustaining costs (“AISC”) were \$1,228/oz (FY16: \$1,069/oz). The increase was due to the additional development capex associate with the SGW UG mine, including ramp, access and ventilation work as well as the royalty exemption from the previous year expiring.
- Corporate and administrative expenses were \$2,398 (FY16: \$2,150), representing an increase of 12% as a result of the Company’s increased focus on corporate strategy and shareholder communications during the year.
- The Company invested \$10,834 in capital and \$2,604 in exploration (FY16: \$3,942 and \$2,793, respectively). The Company has significantly increased its investment related to the construction of the

SGW UG ramp, access and ventilation shaft. In addition, the Company commenced and completed construction of phase 4A of the tailings dam during the year.

- Gross profit of the San Gregorio operation was \$3,955 compared to a profit of \$793 in FY16 due to higher revenue and lower operating costs.
- Profit before tax for the year was \$2,028 (FY16: loss of \$3,158). The improvement in this figure is mainly due to a higher realised price of gold (\$1,258/oz) compared to (\$1,154/oz) and lower overall costs of sales, which have been partially offset by lower relative production for the period, overall resulting in more profitable production (Contribution margin FY17: \$11,098 compared to \$6,768 in FY16). Net profit after tax for the year was \$2,585 (FY16: loss of \$1,210).
- Cash flow generated by operations before working capital investment was \$9,664 (FY16: 7,603) due to better operating performance in YTD 2017 as explained above.
- Cash balance at the end of the year was \$3,357 compared to \$4,320 at May 31, 2016, with net working capital (current assets less current liabilities including cash) of \$3,071 compared to \$6,960 at May 31, 2016. The decrease in cash was mainly due to the increase in the investment in the development of the SGW UG (total investment in SGW UG during the year 2017: \$5,924 compared to an investment of \$995 as at May 31, 2016) which was totally financing by cash from operations.
- Orosur has a \$1,500 committed and undrawn line of credit with Banco Santander available as at May 31, 2017, and as of the date hereof.
- Total debt as at May 31, 2017 was \$403 compared to \$352 at May 31, 2016. This debt represents leases on small vehicles and two Volvo trucks acquire during the year.
- The San Gregorio Project was approved by Comap - Ministry of Finance (MEF) in January, which allows the Company to benefit from certain tax programmes available in UGY to promote domestic investments.
- Exploration drilling in and around the San Gregorio UG area has yielded positive results, successfully intersecting gold mineralization in every hole, which is expected to significantly enhance mine economics and increase reserves and resources in the short and medium term. Further drilling is underway and ongoing.
- In Chile, the Company agreed to extend the period given to Asset Chile to make a decision to proceed with Phase 2 at Anillo until December 31, 2017. In exchange for the extension, Asset Chile will pay the care and maintenance costs of Anillo and the corresponding Chile office, and the Company will have the right to enter into discussions with third parties to farm out Anillo should Asset Chile decline to further participate on the expiry of the December 2017 extension. Following execution of the extension, which took place early in June, Asset contributed \$85 during June and a further \$65 will be due in September, to cover all expected costs until December 2017.
- In Colombia, the Company finalized a geological model of its high grade Anzá gold project project to determine the exploratory potential with the assistance of Mine Development Associates (“MDA”) of Reno, Nevada. The results of this work were announced on January 19, 2017.

- The Anzá project includes a gypsum mine, which has environmental and mining permits granted by the Colombian authorities. As previously announced, Orosur has recently taken over operatorship of the mine. The gypsum permits can be readily expanded for additional tonnage, providing the ability for Orosur to fast-track permitting for future gold mining operations.
- On August 11, 2017, the Company announced the raising of gross proceeds of approximately C\$4,000 (\$3,200) 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 unlisted warrants over new common shares on the basis of one subscription warrant for every two subscription shares. 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.

3. OUTLOOK AND STRATEGY

The Company expects production from the San Gregorio mine in Uruguay for FY18 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 is preparing to 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 annual information

For the year ended May 31 2017, the Company reported a profit after taxes of \$2,585 (or \$0.03 per share), compared to a net loss of \$1,210 (or \$0.01 per share) for the previous year. The contribution margin from mining operations increased from \$6,768 in 2016 to \$11,098 in 2017. Contribution margin is a non-IFRS measure which is explained in section 11 of this MD&A.

The improvement in these results was due to

- the higher realised price of gold (\$1,258/oz) compared to (\$1,154/oz) which partially offset lower production in the period; and
- lower overall costs of sales, resulting into a more profitable production.

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

Table 1 – Profit/(loss) breakdown

(\$'000)	2017	2016	2015	Ref.
Revenue	44,226	42,866	65,868	4.2
Cost of sales (except depreciation)	(33,128)	(36,098)	(53,146)	4.4
Contribution margin	11,098	6,768	12,722	
Mine site depreciation	(7,143)	(5,975)	(16,569)	4.5
Gross profit/(loss)	3,955	793	(3,847)	
Exploration and evaluation costs written off	(131)	(351)	(27,880)	5.3
Obsolescence provision	(113)	(39)	(574)	
Impairment of assets	-	(4,229)	(14,710)	5.3
Corporate expenses	(2,398)	(2,150)	(2,900)	4.6
Restructuring costs	143	(1,709)	-	
Other net gains	572	4,527	510	4.6
Profit/(loss) before income taxes	2,028	(3,158)	(49,401)	
Income tax (provision) recovery	557	1,948	(4,975)	4.7
Net profit/(loss) after taxes	2,585	(1,210)	(54,376)	
Cumulative translation adjustment	93	(727)	(257)	
Total comprehensive profit/(loss)	2,678	(1,937)	(54,633)	
Basic profit/(loss) per share	0.03	(0.01)	(0.58)	

Table 2 shows the primary movements in the balances of current and non-current assets and liabilities, financial debt and shareholders' equity as at May 31, 2017 compared to May 31, 2016 and 2015.

Table 2 – Selected information from the statements of financial position

(\$'000)	2017	2016	2015
Total non-current assets	37,731	30,661	34,992
Total current assets	18,033	18,159	20,925
Total assets	55,764	48,820	55,917
Total liabilities	20,569	16,625	22,031
Total financial liabilities	403	352	1,481
Total shareholders' equity	35,195	32,195	33,886

4.2 Sales

Total sales included gold and silver sales as shown in Table 3. Total sales of gold for 2017 were \$43,717 for 34,738 oz of gold sold at an average price of \$1,258/oz compared to \$42,437 for 36,784 oz at an average price of \$1,154/oz in the previous year. Silver sales were higher than previous year as a result of a higher price.

Table 3 - Sales composition

2017	\$ 000's	Oz	\$ /oz
Gold	43,717	34,738	1,258
Silver	509	28,343	18
Total Sales	44,226		

2016	\$ 000's	Oz	\$/oz
Gold	42,437	36,784	1,154
Silver	429	28,341	15
Total Sales	42,866		

4.3 Production statistics

Key production statistics are shown in Table 4. FY17, 4,088,407 tonnes were mined at San Gregorio operation (FY16: 3,209,063 tonnes), comprising of 3,154,434 tonnes of waste (FY16: 2,283,480 tonnes) and 933,973 tonnes of ore (FY16: 925,583 tonnes) with an average grade of 1.24 g/t (FY16: 1.24 g/t). The final strip ratio for the year was 3.38 (FY16: 2.47).

Approximately 45% of the ore mined during the current period came from Arenal Deeps and SGW UG

Table 4 - Key production statistics

		2017	2016
Waste (*)	tonnes (000's)	3,154	2,283
Ore	tonnes (000's)	934	926
Total mined	tonnes (000's)	4,088	3,209
Grade mined	Grams /tonnes Au	1.24	1.24
Strip ratio	Waste/Ore	3.38	2.47
Ore processed	tonnes (000's)	979	1,013
Grade processed	tonnes (000's)	1.21	1.19
Recovery	%	93.41	92.54
Gold produced	Ounces	35,371	35,773

(*) Includes waste mined for production and development

underground operation, and 55% from Veta Rey and Santa Teresa open pits.

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

2017	Q1	Q2	Q3	Q4	Total
Ore processed (tonnes)	206,877	232,964	226,193	312,495	978,529
Grade processed (g/t Au)	1.59	0.99	1.15	1.15	1.21
Recovery (%)	94.12	92.19	93.77	93.27	93.41
Gold produced (ounces)	9,950	6,852	7,820	10,748	35,371
2016					
Ore processed (tonnes)	346,057	199,352	194,197	273,498	1,013,104
Grade processed (g/t Au)	1.23	1.36	1.24	0.96	1.19
Recovery (%)	90.96	93.52	93.76	92.95	92.54
Gold produced (ounces)	12,471	8,172	7,274	7,856	35,773

During the year, 978,529 tonnes of ore were fed into the plant at an average grade of 1.21 g/t (FY16: 1,013,104 tonnes at 1.19 g/t) to produce 35,371 oz (FY16: 35,773 oz) at a 93.41% recovery (FY16: 92.54%).

4.4 Cost of sales and cash cost per ounce

Total operating costs (excluding depreciation) were \$33,128 (FY16: \$ 36,098). Cash operating costs were \$829/oz (FY16: \$877/oz) due primarily to lower operating costs related to lower tonnes transported and processed at higher recoveries during the year.

AISC were \$1,228/oz (FY16: \$1,069/oz). The increase was due to the additional development capex associate with the SGW UG mine, including ramp, access and ventilation shaft work as well as the royalty exemption from the previous year expiring. AISC peaked at \$1,345/oz in Q2 17, since which the Company has reduced costs during the remainder of FY17.

Table 6 reconciles cost of sales as stated in the Company's statements of income (loss) to AISC per ounce. Cash cost per ounce and AISC are non-IFRS measures which are explained in section 11 of this MD&A.

Table 6 - Reconciliation of financial statements cost of sales to cash cost per ounce

(\$'000)	2017	2016
Cost of sales as per Financial Statements	40,271	42,073
Depreciation	(7,143)	(5,975)
Operating expenses excluding depreciation	33,128	36,098
Movement in non-ore inventories	493	(1,859)
Silver credit and others	(1,731)	(1,066)
Mining royalties and other production tax	(1,899)	(505)
Legal provision (i)	(679)	(1,287)
Total cash cost before taxes (A)	29,312	31,381
Mining royalties and other production tax	1,899	505
Other adjustments	-	-
Total cash costs after taxes (B)	31,211	31,886
Corporate costs	2,019	1,729
Reclamation & remediation	291	101
Brownfield exploration	654	965
Capital expenditure (ii)	9,278	3,549
All in sustaining costs (C)	43,453	38,230
Gold production in ounces (D)	35,371	35,773
Cash operating cost per ounce (A)/(D)	829	877
Total cash cost per ounce (B)/(D)	882	891
All-in-sustaining cost per ounce (C)/(D)	1,228	1,069

- (i) Legal provision included contingencies recognized relating to a labour claim. As it is a one-time material severance charge, and in line with the definition of AISC, this is excluded from the calculation.
- (ii) Capital expenditure for FY17 include the construction of the SGW UG mine.

In connection with a continuous disclosure review by the Ontario Securities Commission (the "OSC"), the Company has included additional disclosure with respect to its annual results for FY17 and FY16, to provide greater prominence to the Company's GAAP measures for those periods.

Contribution margin, gross profit or loss, cash flow from operations, cash costs per ounce and 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.

4.5 Depreciation

Total depreciation was \$7,143 for FY17 (FY16: \$ 5,975). 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.

Table 7 - Depreciation composition

(\$'000)	2017	2016
Tangible fixed assets	2,331	2,923
Tangible underground development costs (i)	4,132	2,335
Environmental rehabilitation provision	273	311
Other exploration and evaluation costs (ii)	407	406
Total depreciation	7,143	5,975
Exploration equipment depreciation	(9)	(22)
Corporate facilities depreciation	(15)	(16)
Mine site depreciation	7,119	5,937

- (i) Depreciation during FY17 is higher than FY16 due to the depreciation of SGW UG that started its production and depreciation since December of FY17.
- (ii) 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 reserves 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 year, all the depreciation of other exploration and evaluation costs relates to the Veta Rey and Santa Teresa pits, being the open pits in operation during the period.

At year end, the Company reassessed its environmental rehabilitation obligations and has, as a result, increased the estimated costs of closing its old tailings dam facilities and remediation of disturbed areas. Changes resulting from revisions to the timing or the amount of the original undiscounted cash flows are recognized as an increase or decrease in the carrying amount of the rehabilitation provision against an increase or decrease in the corresponding value of the related asset.

4.6 Corporate expenses and other net gains and losses

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 incomes and expenses is shown in Table 8.

Table 8 - Corporate expenses and other net gains and losses composition

(\$'000)	2017	2016
Corporate overheads	2,290	2,091
Corporate depreciation	15	16
Management stock based compensation	93	43
Corporate expenses	2,398	2,150
Restructuring costs	(143)	1,709
Foreign exchange loss (gain)	333	(336)
Net finance income (cost)	622	(182)
Other income	(1,527)	(4,009)
Total other net gains	(572)	(4,527)

Corporate overheads include corporate administration expenses in Uruguay, Chile, Colombia and Canada, holding structure costs, listing and regulatory expenses, directors' fees, executive remuneration 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.

Corporate and administrative expenses were \$2,398 (FY16: \$2,150), representing an increase of 12% as a result of the Company's increased focus on corporate strategy and shareholder communications during the year. The Company also recognized an adjustment to employee reimbursements incurred but not recorded in a prior year.

Restructuring costs at the end of FY16 were a provision for layoffs as a consequence of the implementation of the strategic cost reduction plan. As certain retrenchments did not occur, the restructuring costs associated with these retrenchments will not be incurred, and thus the provision for these costs was reversed during FY17.

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 year.

Other income for FY17 was comprised mainly of the sale of crushed rock, income from the San Gregorio laboratory which performed work for other third-party companies, income from leasing the exploration camp in Colombia and the sale of a drill rig during the quarter ended February 28, 2017. Other income for previous year also included a \$2,500 gain resulting from the closing of the deal with the Government of Uruguay for the elimination of the benefit relating to the export of industrialized goods.

4.7 Income tax

Table 9 - Income tax composition

(\$'000)	2017	2016
Financial statements profit/(loss) before tax	2,028	(3,158)
Tax adjustments	(2,028)	3,158
Taxable income for the year	-	-
Statutory tax rate	30%	30%
Current income tax provision for the year	-	-
Current income tax expense for the year	(24)	(35)
Adjustments in respect of previous years	-	-

Current income tax provision	(24)	(35)
Deferred income tax recovery	581	1,983
Total income tax recovery	557	1,948

Table 10 - Deferred tax assets composition

(\$'000)	2017	2016
	\$000's	\$000's
Property, plant and equipment and development costs	1,375	734
Other net assets	1,740	1,800
Deferred income tax asset	3,115	2,534

A detailed comparison of current and deferred income tax provision is shown in Table 9. The composition of the deferred tax assets is shown in Table 10. At present, the Company's only profitable jurisdiction is Uruguay, where the Company is taxed on its producing San Gregorio operation. The statutory tax rate shown above reflects federal and territorial income taxes for the Yukon Territory and the federal government of Canada. The statutory tax rate is adjusted to reflect the statutory tax rate of Uruguay, which is 25%.

The deferred income tax provision or recovery is mainly related to the difference in the tax and accounting basis of the carrying value of the property, plant and equipment and development costs assets. Property, plant and equipment and development costs tax assets represent rights for future income tax deductions nominated in Uruguayan pesos that are revaluated by Uruguayan inflation for fiscal purposes. As a result, these figures are subject to the appreciation or devaluation of the Uruguayan peso (UY\$) against the US dollar (\$). During the current financial year, the UY\$ appreciated by 8% (FY16: 13% depreciation) against the US dollar. The exchange rate as of May 31, 2017 was UY\$ 28.292 per US dollar (May 31, 2016 – UY\$30.788).

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.5.

FINANCIAL POSITION

5.1 Cash and other liquid resources

Table 11 - Cash increase (decrease)

(\$'000)	Reference	2017	2016
Cash flow from operations before changes in working capital		9,664	7,603
Working capital	5.2	2,521	(1,040)
Site capital expenditure	5.3	(10,834)	(3,942)
Sale of fixed assets	5.3	240	123
Exploration investments	5.3	(2,604)	(2,793)
Funding	5.4	50	(418)
Cash decrease		(963)	(467)

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 working capital investment was \$9,664 (FY16: \$7,603).

At May 31, 2017, Orosur had cash resources of \$3,357 (FY16: \$4,320). Cash decreased by \$963 during FY17 (FY16: \$467). The decrease in cash was mainly due to the increase in the investment in the development of the SGW UG (total investment in SGW UG during the year 2017: \$5,924 compared to an investment of \$995 as at May 31, 2016) which was totally financing by cash from operations. Table 11 shows the main cash movements.

Orosur has a \$1,500 committed and undrawn line of credit with Banco Santander available as at May 31, 2017, and as of the date hereof.

5.2 Working capital items

As shown in Table 12, there was a release of working capital of \$2,521 in 2017 when compared to an investment of \$1,040 in previous year, resulting in net cash inflows from operations of \$12,185 and \$6,563 after working capital movements. Table 12 shows a detail of investment in working capital.

Table 12 - Working capital

(\$'000)	2017	2016
Cash flow from operations before changes in working capital	9,664	7,603
Warehouse inventories	(280)	568
Stockpile	(427)	348
Other production inventories	(493)	1,337
Suppliers net of prepayments	3,932	(3,255)
Receivables and tax credits net of tax liabilities	(211)	(38)
Total working capital investment	2,521	(1,040)
Cash flow from operations including changes in working capital	12,185	6,563

Inventory of medium grade stockpiles increased by \$427 during the year compared to a \$348 decreased in the previous year. 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.

Investment in warehouse inventories showed a decrease mostly related to initiatives to optimize the level of the warehouse inventories.

Variation in suppliers net of prepayments is mainly due to the recognition of a legal provision of about \$700 related to labor claims and the huge increase in the activity during last quarter of FY17 compared to same period of previous year (Q4 FY17 production: 10,748 ounces; Q4 FY16 production: 7,857).

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

5.3 Capital expenditure

During the year, \$10,834 of capital expenditure was spent on property, plant and equipment and development costs and \$2,604 investment in exploration and evaluation costs (FY16: \$3,942 and \$2,793, respectively). The Company has significantly increased its investment related to the construction of the SGW UG ramp, access and ventilation shaft. In addition, the Company commenced and completed construction of phase 4A of the tailings dam during the year.

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of Fair Value Less Cost of Disposal ("FVLCD") and Value in Use ("VIU") approaches. The assessment is performed at the Cash Generating Units ("CGU") level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets.

Impairment indicators were identified for the production (Uruguay) CGU for the year ended May 31, 2017. The Company has determined that the San Gregorio gold operations and minor satellite pits form the basis for the CGU of the Uruguayan operations.

For the year ended May 31, 2017, the Company completed an assessment of the carrying value of its CGUs and no impairment was recorded (May 31, 2016 - \$4,229) for property, plant and equipment and development costs.

Key assumptions

The key assumptions used in determining the recoverable amount (fair value less costs of disposal) for the CGU are long-term commodity prices, discount rates, cash costs of production, capital expenditures, foreign exchange rates and net asset value multiples.

To determine the recoverable amount of the production (Uruguay) CGU, management used discount rates between 7% and 8% for various assets of the CGU and gold prices between US\$1,150 and US\$1,300 per ounce. As at May 31, 2017, the recoverable amount of the CGU exceeds its carrying amount.

In addition to the impairment testing performed by the Company at May 31, 2017, the Company also undertook a sensitivity analysis to identify the impact of changes in long-term pricing. The Company believes that a 10% change in the gold price assumption will not have an impact on the estimated recoverable amount of its production (Uruguay) CGU's carrying amount.

Cash exploration and evaluation investment incurred in the Uruguay, Chile and Colombia is shown in Table 14 below. During the year, the cash exploration expenditure was \$2,604 (FY16: \$2,793).

Table 14 - Carrying amount of exploration and evaluation costs by area

	Uruguay	Chile	Colombia	Total
May 31, 2015	4,122	6,137	6,867	17,126
Cash expenditure	1,379	1,007	407	2,793
Foreign exchange movement	-	-	(849)	(849)
Anillo transaction (i)	-	(710)	-	(710)
Other	11	-	-	11
Transfer to depreciable assets	(770)	-	-	(770)
Written-off	(324)	(27)	-	(351)
May 31, 2016	4,418	6,407	6,425	17,250
Cash expenditure	1,576	318	710	2,604
Foreign exchange movement	-	-	94	94
Other	(68)	-	25	(43)
Transfer to depreciable assets	(2,098)	-	-	(2,098)
Written-off	(131)	-	-	(131)
May 31, 2017	3,697	6,725	7,254	17,677

Table 15 - Exploration expenses

(\$'000)	2017	2016
Expenses incurred during the year	-	-
Capitalized expenses written off	131	351
Total exploration expenses	131	351

During the year, \$131 of capitalized exploration and evaluation expenses were written off (FY16: \$351) related to specific projects that management determined to be impaired as substantive expenditure or further exploration in those areas is neither budgeted nor planned, despite the fact that the Company may continue to keep tenure of mining titles for strategic reasons and, in some cases, continues to explore marginally or plans to re-evaluate, farm out or sell the projects.

Expenses written off are related to capitalized exploration expenditures directly attributed to projects in Uruguay.

Capitalized exploration expenditures of \$2,098 (FY16: \$770) were reclassified as development costs as they were related to areas in which a mineral reserve was determined. The amounts transferred include exploration work for development for, San Gregorio and Argentinita underground and Peru, Sobresaliente and Veta Rey open pits.

5.4 Funding

During the quarter ended May 31, 2017, the Company acquired two more Volvo trucks that were financed with a lease credit facility with Banco Santander for a total amount of \$0.3 million. The Company is following the contracted schedule of these lease repayments.

5.5 Financial instruments

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

During the year ended May 31, 2016, the Company committed to a forward contract for up 6,000 ounces for a maximum period of 3 months.

The Company recognized a loss of \$458 upon settlement of the forward contract during the year ended May 31, 2017 (May 31, 2016, gain of \$158). At May 31, 2017, there were no forward positions outstanding.

5.6 Contractual obligations and commitments

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

Table 16 – Financial maturity dates

(\$'000)	Total	< 1 Year	1-2 Years
Banco Santander loan	403	202	201
Total	403	202	201

Commitments derived from exploration farm-outs and acquisition agreements are disclosed in Note 8 of the Company's annual audited financial statements for the year ended May 31, 2017.

Commitments for environmental rehabilitation are disclosed in Note 10 of the Company's annual audited financial statements for FY17. 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 has been provided by AIG's local Uruguayan branch.

5.7 Outstanding share data

The Company has an authorized capital of unlimited number of common shares of no par value. As of May 31, 2017, the Company has a total of 100,846,403 issued shares outstanding. It also has 5,134,092 unexercised vested stock options to acquire common shares of the Company.

The Company granted 83,777 common shares on June 1, 2016, 54,480 common shares on August 31, 2016 and 57,946 common shares on November 30, 2016, to directors and officers in lieu of 20% of their standard cash compensation for the periods March 1, 2016 to May 31, 2016, June 1, 2016 to August 31, 2016 and September 1, 2016 to November 30, 2016, respectively.

On June 1, 2016, August 30, 2016 and November 30, 2016, 128,679, 83,680 and 221,186 stock options were granted respectively, to directors and officers in lieu of 20% of their standard cash compensation for the respective periods commencing March 1, 2016 to May 31, 2016, June 1, 2016 to August 31, 2016 and September 1, 2016 to November 30, 2016, equivalent to an aggregate cash amount of \$18, \$18 and \$39, respectively. All options are fully vested and are exercisable at a price of Cdn\$0.18, Cdn\$0.28 and Cdn\$0.235 per common share, on or before June 1, 2021, September 1, 2021 and November 30, 2021, respectively. Pricing was determined by calculating the volume weighted average closing price of the Orosur's shares on the Toronto Stock Exchange over the periods.

On November 30, 2016, 1,960,000 stock options were granted to directors, officers and employees and a corresponding \$32 of stock based compensation expense was recorded.

On August 24, 2016 and October 31, 2016, the Company issued 610,000, 280,000 and 553,332 common shares respectively, following the exercise of options by a number of its employees (820,000 at an exercise price of Cdn\$0.105, 600,000 at Cdn\$0.185 and 23,332 at Cdn\$0.235).

On January 19, 2017, the Company issued 341,667 common shares following the exercise of options by a former Director.

At May 31, 2017, there were 7,222,426 options outstanding of which 5,134,092 were vested and exercisable (May 31, 2016 – 7,676,380 and 4,793,047, respectively). The weighted average exercise price of the options outstanding at May 31, 2017 was Cdn\$ 0.19 (May 31, 2016 – Cdn\$ 0.17).

No dividends were paid during the years ended May 31, 2017 and 2016, nor are any anticipated in the foreseeable future.

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

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 13 of the Company's consolidated financial statements for the year ended May 31, 2017 discloses the Company's list of subsidiaries and key management compensation.

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, Colombia and Chile 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 project. 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's 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.

As of May 31, 2017, the Company had cash and cash equivalents of \$3,357 (FY16: \$4,320) and total current assets of \$18,033 (FY16: \$18,159) to settle current trade and other accrued liabilities of \$14,518 (FY16: \$10,586) and current financial debt of \$202 (FY16: \$253). Given the nature of the Company's business, operating results are inherently related to movements in the gold price and the ability to manage cash cost of production. A significant decline in the price of gold or increase in operating or capital costs could have a significantly negative impact on the cash flows of the Company, and should forecasted sales and operating costs be significantly different than actual, the Company could be required to seek additional sources of funding. The Company has fully repaid the loan it had with Santander Bank to finance the mobile fleet. The Company intends to continue to settle its financial obligations with cash generating from its operating activities. The Company has a \$1,500 of committed and undrawn line of credit with Banco Santander available at May 31, 2017, and at August 29, 2017.

Details of the Company's financial debt maturity are as follows:

(\$'000)	Total	Less than 1 Year	1-2 Years
Banco Santander loan	403	202	201
Total	403	202	201

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 mines 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) Stock 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 expenditures: The recoverability of amounts shown for capitalized exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves.

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

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, the Company's management have evaluated the operating effectiveness of the Company's internal control over financial reporting. Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of May 31, 2017. Based on this assessment, the CEO and the CFO, believes that, as of May 31, 2017, the Company's internal control over financial reporting is operating effectively. Management determined that there were no material weaknesses in the Company's internal control over financial reporting as of May 31, 2017.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding annual and interim financial statement disclosure. An evaluation of the effectiveness of the design and operation of disclosure controls and procedures was conducted as of May 31, 2017, by the Company's management. Based on this evaluation, the CEO and the CFO

have concluded that the Company's disclosure controls and procedures as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") are effective.

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 CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures is detailed in several of the Company's corporate governance documents including, but not limited to, the Continuous Disclosure Policy Procedure, the Code of Business Conduct and Ethics, the Insider Trading Policy and Share Trading Code and Price Sensitive Information Policy, the 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 NI 52-109) 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 Company, including the President and CEO and the CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting: NI 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 period which materially affected, or are reasonably likely to materially affect, the Company's ICFR.

11. NON IFRS 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 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, and 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.