



**ANNUAL INFORMATION FORM  
FOR THE YEAR ENDED MAY 31, 2018**

**AUGUST 29, 2018**

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## ITEM 1 PRELIMINARY NOTES

### Caution Regarding Forward-Looking Statements

Certain of the statements about Orosur Mining Inc. (“**OMI**”, “**Orosur**” or the “**Corporation**” or the “**Company**”) that are not historical facts contained in this Annual Information Form (“**AIF**”) are “forward looking information”. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “is planned”, “expects”, “or does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “targets”, “intends”, “anticipates”, “does not anticipate” or variations of such words or phrases or statements that certain actions, events and results “may”, “could”, “would”, “might”, “will be taken”, “occur” or will be achieved.

Forward-looking information, includes but is not limited to: estimates of capital and operating costs; production; grades; processing rates; production profile and life of mine; metal prices; exchange rates; reclamation costs; net present value, internal rates of return and payback; and commencement date; the continuation of mining operations in Uruguay; permitting and funding of the Veta A underground project; negotiations with third parties with respect to the assets in Uruguay and Colombia; continuation of the business of the Company on a going concern; creditor protection proceeding in Uruguay and other events or conditions that may occur in the future.

Information concerning the interpretation of drill results and mineral resource and reserve estimates also may be deemed to be forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

Statements containing forward looking information are based on the opinions of management at the dates that the statements are made, and are based on a number of assumptions and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. Many of these assumptions are based on factors and events that are not within the control of OMI and there is no assurance they will prove to be correct.

Factors that could cause actual results to vary materially, from results anticipated by such forward-looking information, include: ability to successfully negotiate and complete a transaction to finance the next stage of exploration at the Anza property in Colombia, ability to emerge from creditor protection with respect to operations in Uruguay, actual results from future exploration in Colombia, ability to successfully permit Veta A, changes in market conditions; variations in ore grade or recovery rates; risks relating to international operations; fluctuating metal prices and currency exchange rates; changes in project parameters; the possibility of project cost overruns or unanticipated costs and expenses; labour disputes and other risks of the mining industry, failure of plant, equipment or processes to operate as anticipated; permitting and land access time lines; and development plans being more time consuming or costly than expected; as well as those risk factors discussed under the heading “Risk Factors” in this AIF. Although OMI has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended.

The Corporation has made several assumptions that it believes appropriate, and these include, but are not limited to, no adverse effect being anticipated for issues of environment, permitting, legal, title, taxation, socio-economic, marketing or political.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. OMI undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking information.

## Glossary and Defined Terms

The following is a glossary of certain mining terms used in this AIF.

Alteration:	Refers to process of changing primary rock minerals (such as quartz, feldspar and hornblende) to secondary minerals (quartz, carbonate, and clay minerals) by hydrothermal fluids (hot water).
CIM:	Canadian Institute of Mining, Metallurgy and Petroleum.
Feasibility Study:	A comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.
g/t:	Grams per metric tonne.
Mineral Reserve:	The economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined and processed.
Mineral Resource:	A Mineral Resource refers to a concentration or occurrence of precious metals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.
Measured Mineral Resource:	is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
Preliminary Economic Assessment:	means a study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a preliminary feasibility study.
Preliminary Feasibility Study:	has the meaning ascribed to such term in NI 43-101 and means a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors and

the evaluation of other relevant facts which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.

Probable Mineral Reserve:	has the meaning ascribed to such term in NI 43-101 and is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
Proven Mineral Reserve:	has the meaning ascribed to such term in NI 43-101 and is the economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
Qualified Person	has the meaning ascribed to such term in NI 43-101 and means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation and/or mineral project assessment, has experience relevant to the subject matter of the disclosure and is a member in good standing of a specified professional association.
NI 43-101	National Instrument 43-101 <i>Standards of Disclosure for Mineral Projects</i> ("NI 43101") issued by the Canadian Securities Administrators (the "CSA").
Mineralization:	An anomalous occurrence of metal or other commodity of value defined by any method of sampling (surface outcrops, drill core, underground channels). Under United States Securities and Exchange Commission standards, such a deposit does not qualify as a reserve until comprehensive evaluation, based on unit cost, grade, recoveries and other factors, concludes that the mineralization could be legally and economically produced or extracted at the time the reserve determination is made.
Ore:	Rock, generally containing metallic or non-metallic materials, which can be mined and processed at a profit.
Pyrite:	An iron sulphide mineral (FeS <sub>2</sub> ), the most common naturally occurring sulphide mineral.
Strike:	The direction, or bearing from true north, of a vein or rock formation measured on a horizontal surface.
Sulphide (Sulfide):	A compound of sulphur (sulfur) and some other metallic element.
Tailings:	Gangue minerals extracted from ore through various mineral processes and deposited in an enclosed ground storage area.
Technical Reports:	Technical Reports prepared according to NI 43-101.
Trenching:	The mechanical or human excavation of ground material to expose material below surface.

## ITEM 2 CORPORATE STRUCTURE

### 2.1 Name, Address and Incorporation

On October 16, 1996, Orosur was incorporated as 713257 Alberta Ltd. pursuant to the *Business Corporations Act* (Alberta). On January 31, 1997, the Corporation changed its name to Uruguay Goldfields Inc. The Corporation amalgamated pursuant to a Certificate of Amalgamation dated February 13, 1998 (the “Amalgamation Date”) under the laws of the Province of Alberta; the amalgamating corporations were Canadian Black River Petroleum Ltd. (“CBR”) and Uruguay Goldfields Inc. This amalgamation enabled the Corporation to commence trading on The Canadian Dealing Network Inc. in Toronto, Ontario.

On February 13, 1998, the Corporation became a “reporting issuer” in Alberta due to its amalgamation with CBR. The Corporation is a “reporting issuer” in Alberta, British Columbia, Ontario and Quebec.

On March 29, 2000, the common shares of the Corporation were admitted for listing on The Canadian Venture Exchange Inc. (“CDNX”), a predecessor to the TSX Venture Exchange.

On February 8, 2002, the Corporation changed its name to Uruguay Mineral Exploration Inc. and continued from the Province of Alberta to the Yukon Territory to be governed by the corporate laws of the Yukon Territory.

In June 2002, the CDNX was acquired by The Toronto Stock Exchange as a wholly owned subsidiary. The name of the CDNX was changed to the TSX Venture Exchange (“TSX-V”), where the Corporation’s common shares continued to trade under the symbol OMI. On December 15, 2004, the common shares of the Corporation were admitted for listing on the London Alternative Investment Market (“AIM”).

On January 8, 2010, OMI completed a plan of arrangement whereby it acquired 100% of the shares of Fortune Valley Resources Inc. (“Fortune Valley”) and changed its name to Orosur Mining Inc., with its shares continuing to trade under the symbol “OMI” both on TSX-V and AIM markets.

On May 14, 2012, the Corporation delisted from TSX-V and commenced trading on the Toronto Stock Exchange (“TSX”).

On July 9, 2014, OMI completed an Arrangement Agreement whereby OMI acquired 100% of the shares of Waymar Resources Inc. (“Waymar”), thus adding the Anzá gold project in Colombia to its exploration portfolio.

On May 22, 2015, Orosur incorporated a new wholly owned subsidiary of Fortune Valley Resources Inc., Anillo SPA (“Anillo SPA”), and transferred the Codelco option agreement originally held in Fortune Valley Resources Inc. to Anillo SPA.

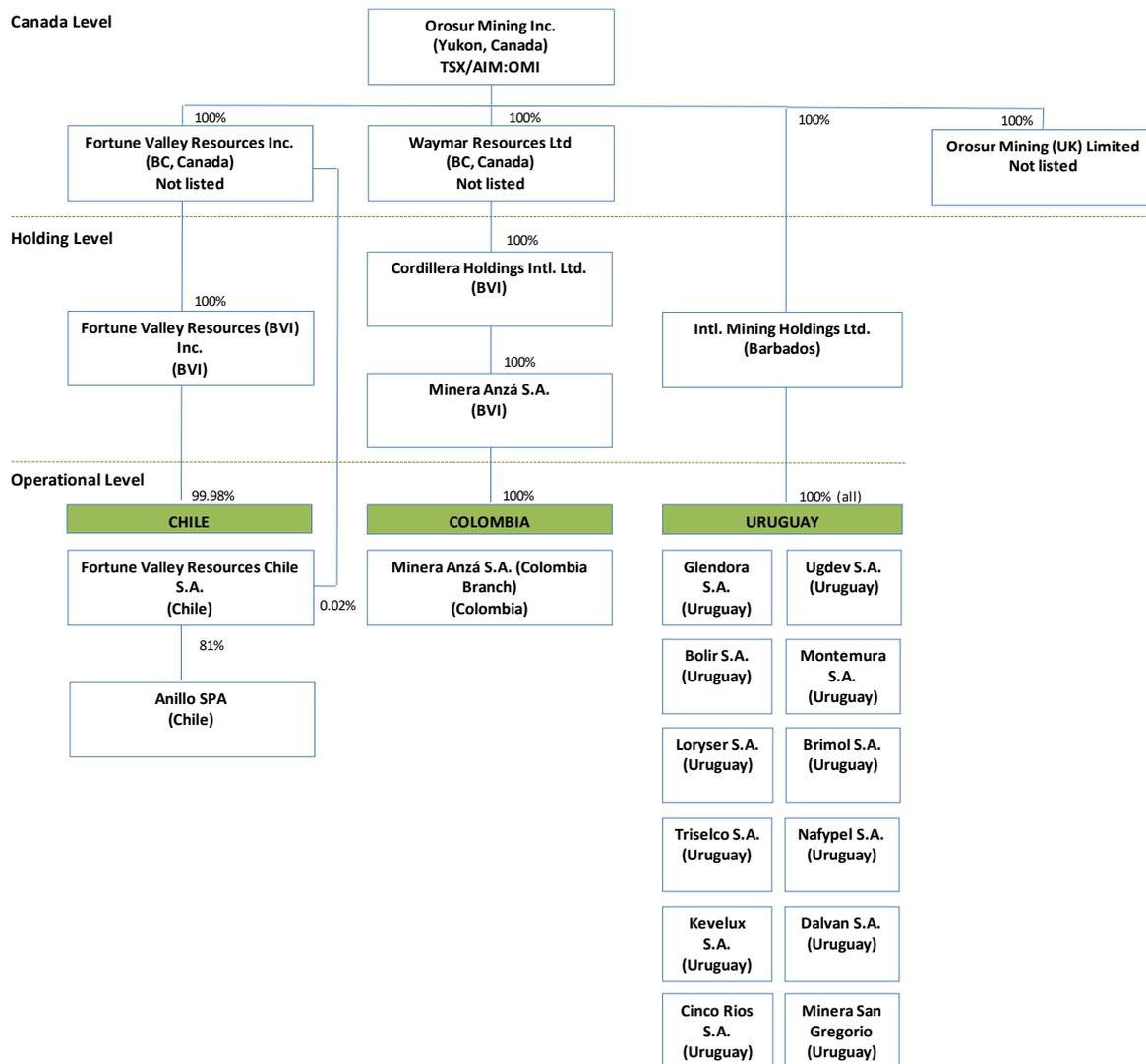
The head office of the Corporation is located at Saldanha Da Gama 3622 of. 509, Montevideo, Uruguay, and the registered office is located at 250 – 1075 West Georgia St, Vancouver, BC, Canada, V6E 3C9.

### 2.2 Intercorporate Relationships

As of May 31, 2018, all of the Corporation’s operating activities were conducted in Uruguay, Chile and Colombia, and all the Corporation’s interests were directly held in Uruguayan, Chilean and Colombian subsidiaries, which are detailed in the table below.

All the subsidiaries or other companies controlled by the Corporation were owned by the Corporation’s wholly owned intermediary companies, International Mining Holdings Limited from Barbados, Fortune Valley Resource Inc., Cordillera Holding International Ltd and Minera Anzá S.A. all from British Virgin Islands, which are the holding companies for all other companies noted in the table below. The other companies are all operating companies, through which OMI carries on its business in Uruguay, Chile and Colombia.

The following diagram sets forth the corporate structure of the Corporation, as of May 31, 2018:



## ITEM 3 GENERAL DEVELOPMENT OF BUSINESS

### 3.1 Business Overview

OMI is a gold production, development and exploration company engaged in the identification, acquisition, exploration, production and if warranted, development of mineral properties in South America. OMI is an integrated gold focussed company with a diversified assets and projects base spanning Uruguay, Chile and Colombia and comprising a mix of production, development and exploration projects. OMI presently operates the San Gregorio mine in Northern Uruguay as well as conducts exploration and development efforts at the Anillo project in Chile and the Anz  project in Colombia with Colombia expected to be the primary focus of the Company going forward.

### 3.2 Summary of the Business

#### 2018 Full Year Financial & Operational Results

- On June 14, 2018, the Company applied for reorganisation proceedings and creditor protection (the "Loryser Reorganization Proceedings"), in the best interests of the Company and its operating subsidiary, Loryser S.A. ("Loryser"), and its stakeholders. The Reorganization Court (the "Court") began the Loryser Reorganization Proceedings on June 18, 2018. The mining of lower grade ore than planned and scarcity of alternative sources of ore at San Gregorio made it difficult to reverse this challenging financial position and constraints of Loryser. To continue the mine plan, a swift and timely transition from SG UG to the Veta A underground project would be needed, which itself would require external financing and the environmental permit in Veta A which have not been attainable to date.

Orosur and its other subsidiaries both in Colombia and Uruguay, (excluding Loryser), are not included in the Loryser Reorganization Proceedings.

- Loryser continued production at SG UG until the end of July after which it placed the mine on care and maintenance. Loryser is still permitted to enter into transactions with its Uruguayan assets. Through the course of its operations in Uruguay, the Company has been fortunate to have enjoyed a very positive relationship with the local Government and even received two royalty exemptions in recent years. Orosur is currently conducting conversations with the Government to analyze different options to continue its operations in Uruguay, which represent a very important source of investment and employment in the north of the country.
- Gold production of 27,586 oz, was in line with the updated guidance of 27,000 – 30,000 oz (FY17: 35,371).
- Cash operating costs US\$970/oz (FY17: US\$829/oz) were in line with the updated guidance of US\$900 – US\$1,000/oz.
- All-In-Sustaining Costs (“AISC”) of US\$1,453/oz (FY17: US\$1,228/oz). The increase was due to the additional brownfield exploration and higher unit operating costs due to the lower grades of ore processed during the period.
- Loss after tax and after impairment was \$36,867 compared to a profit of \$2,679 in FY17. This was mainly due to an operating loss (\$1,070), the recognition of the provision for layoffs (\$2,840), write off of exploration projects (\$5,999), loss for discontinued operations (\$6,544), impairment (\$11,083) and the recognition of an obsolescence provision (\$4,678)
- Cash balance at the end of the year was \$1,390 compared to \$3,357 at May 31, 2017, with net working capital deficiency (current assets less current liabilities including cash) of \$10,622 compared to a positive net working capital of \$3,070 at May 31, 2017. Loryser has drawn on the full Santander line of credit in the amount of \$1,500 since Q2 FY18.
- Total debt as at May 31, 2018 was \$1,941 compared to \$403 at May 31, 2017. The increase is due mainly to Loryser drawing the full \$1,500 Santander line of credit. The remaining debt outstanding represents leases on small vehicles, two Volvo trucks and drill rig.

### **2019 Full Year Guidance**

- During FY19, the Company expects to produce between 2,500 - 3,500 ounces of gold, with operating costs of US\$1,000 - US\$1,100 per ounce from the San Gregorio mine in Uruguay in Q119, after which point all production is expected to be ceased and is not expected to resume in FY19, with operations placed on care and maintenance. All future production shall depend on material developments in the funding and environmental permitting of the Veta A Underground project in Uruguay and the ongoing discussions with the government of Uruguay and other third parties.
- Orosur is focusing on financing the next stages of exploration of the high grade Anzá project in Colombia and is in the process of advancing a strategic alliance with a sophisticated international mining Company.
- The Company anticipates that reaching a fair and balanced solution in Uruguay in the interest of all our stakeholders while partnering and advancing the next stages of exploration at the Anzá project will be the primary focus of the Company during FY19.

### **3.3 Three Year History**

The following is a summary of the general development of the Corporation’s business over the last three financial years and includes all the key material contracts and arrangements the Corporation has entered into.

#### **June 2015 – May 2016 (“FY 2016”)**

During the first half of the year, the Company faced a challenging gold price environment with the price of gold falling from around \$1,200/oz in early June 2015 to below \$1,050/oz in mid-December 2015. In response to the lower and weakening price environment, and as announced in late August 2015, the Company conducted a review of its operating and exploration plans for the year with a view to cash preservation and maximizing profitability. As a result of this review, the Company designed and implemented a strategic plan designed to reduce costs and ensure more profitable production, in the process reducing the original guidance for FY 2016 from 50 – 55 Koz of production at AISC of \$1,100 –

\$1,200/oz to 30 – 35 Koz of production as AISC of \$1,000 – 1,100/oz, with the expectation of AISC below \$1,000 in each of the last two quarters.

The Company successfully implemented this programme, producing 35.8 Koz, above the high end of guidance, and reduced its AISC to below \$1,000/oz in the third and fourth quarter, as guided, as well as returning to gross profitability for the FY.

In February 2016, the Company received required permits for the development of San Gregorio Deeps (“SGD”) and commenced development, including dewatering and portal development work in Q4 2016. The Company planned to have SGD operational during FY 2017 and did not anticipate the requirement for sourcing additional non-dilutive project funding, to be financed from cash from operations.

During FY 2016, geological and engineering development activities were mostly focused on the start-up of the SGW UG, the second mechanized underground mine in Uruguay (after Arenal). SGW UG is a continuation of the San Gregorio open pit deposit which, to date, has produced more than 500,000 oz at an average grade of 2.1 g/t.

By the end of FY 2016, with final permitting in hand, development work had already commenced, with first blast occurring on May 12, 2016. The development and start-up of the SGW UG mine benefitted from synergies resulting from the closing of the Arenal UG mine by November 2016. As a result, Capex was minimized and personnel and equipment started to be shifted from Arenal to SGW UG. By phasing the development of SGW UG with the closure of Arenal Deeps, the Company managed to fund the development with internal cash and cash flow. SGW UG commenced production in November 2016.

The Veta Rey open pit remained in production and contributed to plant ore feed while SGW UG was being developed and at the same time, Veta Rey provided waste material which is used in the construction of a new tailings dam phase, further optimizing loading and hauling costs. The Veta Rey open pit produced approximately 14 Koz over the past two years. As in the case of Veta Rey, the Company’s suite of open pit projects in Uruguay are currently being re-evaluated for potential development and production activities as gold prices improved in 2016. For example, based on the Company’s internal economic analysis, some targets at Santa Maria and Perú appear to be economic at or around US\$1,300/oz, which could result in additions to the mine plan of around 10-12 Koz.

In FY 2016, exploration activity was concentrated on brownfield activity near the current mines, while some of the most promising exploration projects and targets were re-evaluated during the year. This work enabled the Company to put forth a solid work plan for FY 2017 with the objective of further consolidating and extending mine life. As a result of insufficient mineralization encountered during exploration drilling, the previously announced Arenal Repetition exploration project has been discontinued.

In Southern and Central Uruguay, a number of high-grade, low tonnage targets were identified for treatment and processing in the San Gregorio plant, as part of the Company’s multi-focal approach to extend mine life. The permitting process for confirmatory and/or exploration drilling at these projects is currently underway.

## **Chile**

The option agreement with AC was completed on June 6, 2015. Per the option agreement, Phase 1 drilling and geophysical work at Anillo was completed during FY 2016, and the Company is presently working with AC towards funding of potential future exploration phases.

As announced January 14, 2016, following the impairment of the Pantanillo project in May 2015, the Company decided not to fulfill the payment of advanced royalties totaling \$1.6M due to Anglo American on December 1, 2015. This triggered the process for the properties to be returned to Anglo American, and that process was closed in May 2017 when Anglo formally repurchased the Pantanillo Properties from Orosur.

## **Colombia**

Towards the end of FY 2016, the Company commenced density and metallurgy test work on the core from historic drilling at Anzá in order to advance the project with a limited use of capital. Results of these activities were announced in the first half of 2017.

## Corporate

Total production for the year was 35,773 oz of gold, at average cash operating costs of US\$877/oz, All-in-Sustaining Costs ("AISC") of \$1,069/oz and cash flow from operations of US\$7.6M. Guidance for the year was 30 – 35 Koz at AISC of US\$1,000 – US\$1,100/oz.

During FY 2016, Daniel Moretti resigned as Chief Financial Officer and Corporate Secretary. As a result, Alejandra Lopez was promoted to Interim Chief Financial Officer and Ryan Cohen accepted the additional role of Corporate Secretary. Pablo Marcet resigned as Executive Director of Exploration and Development but remained as Non-Executive Director of the Board.

On December 4, 2015, the President of Uruguay granted Orosur a one-year exemption (covering the period from April 2015 to March 2016) on royalty payments to the Government, equivalent to 3% of sales.

In 2009 through a National Decree, the Government of Uruguay eliminated a customs benefit relating to the export of industrialized goods (in Orosur's case, doré bars). This Decree was later annulled and in August 2015, the Company filed an administrative petition for repayment of excess funds paid by the Company in order to suspend the Statute of Limitation. On February 29, 2016, the Company reached and signed a settlement agreement with the Uruguayan Government and received the settlement proceeds, \$2,500,000 during April 2016.

## **June 2016 – May 2017 ("FY 2017")**

### Operational

FY 2017 production of 35,371 oz (within stated guidance of 35-40 Koz) following a significant increase in production in Q4 (10,748 oz). Cash operating costs for the year were \$829/oz (FY16: \$877/oz),

- **San Gregorio West Underground:** The San Gregorio West Underground ("SGW UG") mine commenced full production from its maiden stope on November 24, 2016. The project was completed on budget and on schedule following a safe and efficient transition of equipment and staff from Arenal. Construction at the end of 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. A total of 12,551 ounces were mined during the year.
- **Arenal:** The Company defined and processed an additional 90,000 tonnes grading 1.4 g/t from the Arenal UG, which were not previously in the mine-plan or reserve base. The end of UG operations was during November and no rock fill was necessary.
- **Veta Rey:** The Phase 2 was completed and some superficial ore could be mined around the sector, summing around 8,600 oz. The reconciliation for the year was positive in +2,787 ounces. The waste material was used for the construction of the tailings dam and to fill the pit already mined.

### Exploration:

#### Uruguay

In Uruguay, the Company aimed to extend its mine life with a particular focus into the Central and East areas of SG UG. SRK Consulting was engaged to prepare a scoping study covering an expanded SG UG project to include not only the extensions to Central, East and Deeps, but also the neighbouring deposits of Veta Sur, Ombú and Veta A. Additional near mine OP exploration activities added more than 8 Koz of reserves in Veta Rey extensions and El Muro (recently discovered) mines, while detailed exploration work was carried out in Zapucay area as well.

#### Chile

The deadline for Asset Chile ("AC") to make its decision to finance Phase 2 in Anillo (which is strategically located between Yamana's El Peñon and Pampa Augusta Victoria) was extended to December 2017. AC is expected to cover Anillo Spa corporate and ongoing costs until then, which are estimated at approximately US\$150k. The first US\$85k was received from AC on June 14, 2017. Under the extension

agreement, Orosur was then able to have open discussions with alternative partners to progress Anillo as AC did not elect to fund Phase 2.

## **Colombia**

During the second half of the FY16 and early part of FY17 the Company carried out an exploratory metallurgical and density tests on the composited core from historical Waymar drilling. The Company also constructed a preliminary geological model on which a preliminary gold potential review was carried out. Encouraging results have prompted the Company to go ahead with a follow up drilling campaign to start during 2017.

The Company announced its plans to commence a 15,000m - 30,000m drilling campaign in 2017 in Colombia, culminating in the preparation and publishing of a maiden N.I. 43- 101 compliant resource report for the APTA project. The Company committed to updating the market once the exploration programme had been designed and validated, and a drilling contractor engaged. Timing and scope of the drilling programme were to be driven by a combination of exploration results and prevailing equity and gold market conditions.

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 were intended to be deployed for drilling and associated activities at the Company's highly prospective Anzá gold project in Colombia.

## **Corporate**

As disclosed in the 2016 Management Information Circular, Mr. Pablo Marcet did not stand for re-election as a director in order to allow additional time to pursue his other business interests.

During FY 2017, Jorge Aceituno was added as an Executive Director and was appointed as Chief Operating Officer. Alejandra Lopez was promoted to Chief Financial Officer.

The Company issued a total of 1,443,332 common shares following multiple exercises of options by its employees.

The Company increased its focus and efforts with respect to corporate strategy and shareholder communications during the year. On January 22-23, 2017, the Company participated in the Vancouver Resource Investment Conference, on March 8, 2017 in the Prospectors & Developers Association of Canada, Investor Exchange ("PDAC") and in April 2017 in the European Gold Forum in Zurich. Further conferences and marketing are planned for the remainder of calendar 2017.

## **June 2017 – May 2018 ("FY 2018")**

### **Operational**

FY 2018 production of 27,586 oz (within last guidance of 27-30 Koz) following a significant decrease in production in Q4 (5,049 oz) due to a decision to stop open pit production and a decrease in underground mining grades (1.19g/t). Cash operating costs for the year were \$970/oz (FY17: \$829/oz),

- **San Gregorio West and Central Underground:** The San Gregorio West Underground mine was in full production, except for a brief period of reduced production in January due to a delay in development work as a consequence of a localized caving and water challenges in the mine in October. Construction at the end of FY18 included horizontal development of 1,347m of waste, including 633m of mineralized development. San Gregorio Central underground was in production during March to May, completing the first planned level. The second level was aborted after incorporating a new interpretation of the ore body and the decrease in grades observed on the upper level. A total of 14,073 ounces were mined during the year from San Gregorio.

- **Open Pit:** FY18 OP production of approximately 12,600 ounces mined, with Veta A and Muro-Santa Teresa as main sources in the first half of the year. Most of the waste material was from these mines and was used for the construction of a larger tailings dam. Additionally, Perú and Sobresaliente which each needed environmental and mining authorizations, commenced operations in the 2<sup>nd</sup> half of the year. Approximately 1,100 oz from Santa Terasa low grade stockpiles was tapped into the optimize plant feed throughput during the year. In March the decision to drastically decrease operations was made as a result of declining reserves and marginal economics.

San Gregorio underground (SG UG) is a continuation at depth of the San Gregorio open pit deposit, which produced approximately 536,000 oz at an average grade of 2.12 g/t Au. Since November 2016, SGW UG has been the primary source of ore feed to the plant.

A block model for SGC was finalized in Q2 18 and showed that the mineralized structure was less economically viable than anticipated, at depth and to the eastern side of this sector with reductions in both ore grade and thickness of the ore body. To date, the SG underground mine has produced 465,943 tonnes at 1.49 g/t Au, which is approximately 30% below the Company's estimates for the project and the grade of the historical open pit production, which was 2.12 g/t Au.

As a result of the reduced grade encountered, it was critical to find ways to improve this newly-defined weaker mineralized structure at SG UG, so the Company re-designed the mine plan with SRK Perú ("SRK") and altered its sequencing. Development into deeper stopes was removed from the mine plan and marginal stopes from current levels at SGW were incorporated in order to optimise economics based on development costs already incurred. In an effort to partially compensate for this production shortfall, additional ore from open pit reserves were mined out.

Currently, the Company is facing one of the most complex and difficult situations in its long-standing operation as a consequence of the lack of good quality ore during the last year and the lack of financing, and permitting, required to develop the Veta A project (currently the highest-grade source of underground ore available on the San Gregorio mine complex).

On June 14, 2018, Loryser applied to commence reorganisation proceedings under Uruguayan legislation (Act N°18.387). To continue the mine plan, a swift and timely transition from SG UG to the Veta A underground project would be needed, which itself would require external financing and the environmental permit in Veta A which are currently not in place. As a result of the current circumstances, the Board of Directors actively explored a number of alternatives for Orosur and its subsidiaries. The decision to apply for the Loryser Reorganisation Proceedings and creditor protection was made in consultation with the Company's legal and financial advisors in the best interests of Loryser, the Company and its stakeholders.

Orosur and its subsidiaries (excluding Loryser) are not included in the Loryser Reorganisation Proceedings and the Company's management team continues to lead day-to-day operations.

Loryser continued production at SG UG until the end of July, after which it began placing the mine on care and maintenance. Loryser remains able to enter into transactions with its suite of Uruguayan assets. Through the course of its operations in Uruguay, the Company has been fortunate to have enjoyed a very positive relationship with the Government and even received two royalty exemptions in recent years. Orosur is currently conducting conversations with the Government to analyze different options to continue its operations in Uruguay, which represent a very important source of investment and employment in the north of the country.

## **Exploration:**

### **Uruguay**

Near mine exploration was carried out to assure ore being fed to the process plant. Exploration was successful in finding two ore locations, El Muro and Santa Teresa Noreste, containing 6,481 oz Au which were extracted and processed in FY18.

Additionally, underground drilling was conducted aimed at increasing the San Gregorio West and Central deposits. At the Veta A deposit, continuity of mineralization strike down to the 120 m depth was confirmed with the mineralized body remaining open at depth and along strike to the west.

Greenfield exploration focused on delineating a strategic discovery accounted for 2,492 m of drilling located along the San Gregorio and Nueva Australia geological corridors, revealing the existence of mineralized structures which warrant follow up in further drilling campaigns.

In February 2018, exploration activities ceased due to the lack of available funding.

### **Colombia**

A significant drilling campaign was carried out at the Anzá project from October 2017 to May 2018. A total of 9,359 m of drilling was completed at the Company's APTA project and Charrascal target.

APTA drilling totaled 6,314 m distributed in 18 holes. Drilling intersected a high gold grade orebody and in the northern part of the project with gold mineralization positively tested down to 400 m depth. In the central and southern part of APTA, spatial continuity of the orebody was confirmed, leaving open the possibility to extend at depth in an eastern dipping orientation as well as along strike.

At Charrascal, a total of 3,045 m of scout drilling was completed in 5 drill holes. Drilling detected the presence of strong gold anomalies, within 4 of the 5 holes drilled and a priority follow up zone was identified. The presence of gold in the system has been confirmed within an attractive geological setting for the mineralization to occur and follow up zones selected for further exploration.

### **Chile**

In May 2018, the Company terminated the option agreement on its Anillo gold exploration project with Nacional del Cobre de Chile ("Codelco"), Chile's national mining company, located close to Antofagasta, in Region II, Chile and focus its resources on its core properties in Colombia and Uruguay.

In July 2018, the Company sold its remaining 25% interest in Talca for a consideration of \$120k. With this sale, the Company is left with no interest or obligation in Talca.

### **Corporate**

Officers and employees were granted a total of 1,410,000 stock options and the balance equivalent to 515,000 stock options were granted to Directors pursuant to the annual grant, which shall vest in three equal parts: the first part immediately and the second and third parts on November 17, 2018 and November 17, 2019, respectively.

On June 19, 2018, Bob Schafer was appointed as Non-Executive Director of the Company and Roger Davey retired as Non-Executive Director of the Company with immediate effect.

In July 2018, the Company received an advance of US\$250,000 from an international mining company to subscribe for 3,603,077 common shares of Orosur at a price of CAD\$0.091 per share to finance the next stage of exploration at the Anzá project in Colombia.

As part of the cost reduction measures taken during the year, non-essential corporate and support costs have been drastically reduced and directors and officers have temporarily reduced their fees and salaries by 20%.

### **3.4 Significant Acquisition**

On May 22, 2015, Orosur incorporated a new wholly owned subsidiary of Fortune Valley Resources Inc., Anillo SPA and transferred the Codelco option agreement originally held in Fortune Valley Resources Inc. to Anillo SPA.

On June 6, 2015, the Company signed a definitive option agreement (the "Agreement") with AC in relation to the Company's Anillo Project in northern Chile.

AC subscribed for an initial amount of Anillo SPA common shares (the "Shares") equal to the 16% of the capital of the Anillo SPA for gross proceeds of US\$850,000 (received on July 2, 2015). From the date of execution of the Agreement, AC has 40 days to get the Corporation of Promotion of Production (CORFO) support and to contribute the Phase 1 funding totaling US\$850,000. AC has a further option to elect to earn

up to 32.5% and up to 40%, by funding an additional US\$1,250,000 and an additional US\$1,375,000 respectively, pursuant to the Agreement outlined above. Within 60 days of completion of the Phase 1 and Phase 2 exploration programs, respectively, AC will have the obligation to notify the Company in writing of its decision to elect to proceed. Should AC not fund the purchase of common shares in Phase 2, AC would lose its participation interest in Anillo. The Agreement contains terms to provide that the Company will remain the operator of Anillo and that each of the Company and AC, as shareholders of Anillo SPA, will be equally represented on the Board of Directors of Anillo SPA and on the technical committee, each comprising four members. All funding proceeds will be used to perform exploration activities and studies as directed and agreed by the technical committee and shall be focused on generating a discovery at Anillo.

Phase 1 exploration was concluded and included a geophysics campaign and 3,600m of RC drilling. If entered into, Phase 2 would include an additional geophysics campaign and a minimum of 5,500m of RC drilling and have an estimated duration of up to 18 months. Phase 3 would include further geophysical work and additional RC drilling and have an estimated duration of up to 18 months. Pursuant to the Agreement, Fortune Valley made its contribution of US\$100,000 on July 31, 2015.

In July 2016, AC requested and the Company accepted an extension until March 2017 to allow AC to decide on exercising their option to move to Phase 2. In this period, AC will contribute US\$120,000 to cover the minimum expenditure in Anillo. AC needs to complete their contribution to Phase 2 (up to US\$1,250,000 to fund 5,500 m of RC drilling) in order to earn into a 32.5% interest of OMI's share in Anillo. In the case that AC does not complete this Phase 2, they will lose their earn-in achieved to date in Anillo.

In August 2017, the Company completed a brokered private placement 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 for gross proceeds of approximately C\$4,000 (\$3,200).

In July 2018, the Company received an advance of US\$250,000 from an international mining company to subscribe for 3,603,077 common shares of Orosur at a price of CAD\$0.091 per share in consideration of a transaction focussed on financing the next exploration stages of the Anzá project in Colombia.

### **3.5 Significant Dispositions**

As announced January 14, 2016, following the impairment of the Pantanillo project in May 2015, the Company decided not to fulfill the payment of advanced royalties totaling \$1.6M due to Anglo American on December 1, 2015. This triggered the process for the properties to be returned to Anglo American, and that process was closed in May 2017 when Anglo formally repurchased the Pantanillo Properties from Orosur.

In May 2018, the Company terminated the option agreement on its Anillo gold exploration project with Nacional del Cobre de Chile ("Codelco"), Chile's national mining company, located close to Antofagasta, in Region II, Chile and focus its resources on its core properties in Colombia and Uruguay.

The Anillo project was originally optioned from Codelco in 2010, giving Orosur the right to acquire a 65% interest in the project by spending US\$4,000,000 over 4 years and completing a bankable feasibility study.

On June 6, 2015, the Company closed a further option agreement with Asset Chile Exploración Minera Fondo de Inversión Privado ("AC"), whereby AC subscribed for an initial amount of Anillo SPA common shares equal to 16% of the capital of Anillo SPA for gross proceeds of US\$850,000. AC had a further option to elect to earn up to 32.5% and up to 40%, by funding an additional US\$1,250,000 and an additional US\$1,375,000 respectively, which did not materialise.

Rather, following completion of the first phase of capital, Orosur and AC agreed to extend AC's timing to enter into phase 2 until December 2017 in exchange for AC paying care and maintenance costs of Anillo as well as the Chilean office costs and also allowing Orosur to enter into discussions with other parties to potentially fund the project. In view of the lack of positive exploration results during phase 1, AC gave notice of their intention not to enter into phase 2, following which and given the lack of alternative partners and the early stage and high-risk nature of this project, the Company has decided not to proceed with the option agreement. The termination of the option agreement is concluded by notifying Codelco and the notice was given to Codelco on May 24, 2018. There are no penalties involved with the termination of the Anillo option agreement. Orosur has an asset value of approximately US\$5.5 million recognized in its statements for the Anillo project which is being written down in the Company's FY18 financial statements.

## **ITEM 4 DESCRIPTION OF THE BUSINESS**

### **4.1 General**

The Corporation's principal business activity is the operation and development of the San Gregorio Gold Project ("SGGP" or "San Gregorio"), located in the Department of Rivera, Uruguay, approximately 450 km north of the capital city of Montevideo. The Corporation also explores for gold at other projects located throughout Uruguay, Chile and Colombia. SGGP produces gold doré, which is refined by a commercial refinery in Switzerland on arms-length commercial terms with gold pricing received based upon the prevailing spot market at the time of each sale.

Uruguay is situated on the east coast of southern South America, bordered by Brazil to the north and Argentina to the west and south. The government of Uruguay has been a constitutional democracy since 1985. The population is approximately 3.4 million people, half of which live in Montevideo, the capital city.

The Uruguayan economy is predominantly agriculture and services-based, and has been an open economy for the last 25 years. There are currently no material restrictions on capital inflow and outflow or on foreign ownership of equity in Uruguay, which is also a member of Mercosur, the free trade zone encompassing Uruguay, Argentina, Brazil and Paraguay.

Chile is a country with a population of slightly more than 17 million inhabitants, located in the southwestern extreme of South America. Its territory extends along a 4,300 km strip, with an average width of 173 km. To the north Chile borders Peru and Bolivia, to the east Argentina, to the west the Pacific Ocean, and to the south the Chilean Antarctic Territory, extending to the South Pole.

Chile is a stable country with a stable economy and a significant mining industry. It is a constitutional democracy which has been in place since 1989 and has a clear institutional framework. The country's economic model is one of the most open in the world, evidenced by the internationally-renowned number of free trade agreements signed with other countries.

Colombia, with 47 million inhabitants, has the third largest population in Latin America. It is situated in the northwestern corner of South America, has maritime borders in both the Pacific Ocean and Caribbean Sea, borders Venezuela, Perú, Ecuador, Brazil by land and a host of Central American and Caribbean nations by sea.

Colombia is a stable presidential democracy with an economy based largely on the production and export of primary goods. The country is a significant producer of gold, nickel, emeralds, petroleum and natural gas, as well as a leading producer of coal.

Both Chile and Uruguay rank amongst the most transparent countries in Latin America: with Chile ranked 23<sup>rd</sup>, Uruguay ranked 21<sup>st</sup>, and Colombia ranked 83<sup>rd</sup> out of 168 in the world, according to the annual Transparency International ranking. Colombia has improved notably in recent years.



## 4.2 Competitive Conditions

Gold is freely sold into the international marketplace with virtually no restrictions. The price of gold is derived largely from a complex interaction of market forces – not simply supply and demand. It is not possible to meaningfully forecast future gold prices.

The primary competitive elements in the gold production industry include access to prospective ground upon which replacement gold resources might be discovered and retaining and hiring appropriately qualified staff.

## 4.3 Environmental and Regulatory

### 4.3.1 Uruguay

#### *Mineral Title*

Uruguay's mining code was promulgated in 1982 and was amended in 2011. Mineral rights are vested in the State, and can be granted as one of three licenses:

- Prospecting License. Allows the holder to carry out any and all work aimed at searching for one or more minerals in a given area. On completion of the first two-year period, the area covered by the license must be reduced to 75%. The holder of the license chooses which parts of the area covered by the original Prospecting License to relinquish. At the end of prospecting license term, the holder has the exclusive right to convert the prospecting permit into an exploration permit.
- Exploration License. Gives the holder the right to perform activities with the purpose of proving whether a deposit exists, identifying its characteristics, and determining the volume and quality of the mineral, as well as undertaking economic assessments. The holder of this Exploration License is allowed to set up a pilot plant, once the holder has applied for and been given the appropriate mining and environmental authorizations.

- Exploitation License. Qualifies the holder to exploit one or more mineral substances, in a given area, and dispose of the output from the deposit. In order to obtain this Exploitation License, an environmental impact analysis must first be approved, according to the legal provisions in force since 1994.

Table 4.1 summarizes the key terms of the different licenses.

**Table 4.1 Licenses and Durations**

Type of License	Operation	Possible Extensions	Term	Maximum Area of each permit	Area Reduction after 2 <sup>nd</sup> extension
Prospecting	3 months – 36 months	3	1 year	100,000 ha	25%
Exploration	1 year – 3 years	3	1 year each	1,000 ha	25%
Exploitation	Up to 30 years	multiple	15 years	500 ha per type of mineral	N/A

The National Mining and Geology Directorate (“DINAMIGE”), which forms part of the Ministry of Industry, Energy, and Mining, is the only State agency responsible for the control of mining and the management of the subsoil. It is the competent agency in charge of granting Prospecting and Exploration Licenses, while the Ministry is responsible for awarding the concession for Exploitation Licenses.

Effective November 14, 2011, for metallic mineral deposits the government of Uruguay levies a 5% production royalty, based on a percentage of the value of free on-board mineral exports. The royalty is split with a 2% royalty paid to the underlying landowner and a 3% royalty paid to the government.

#### *Surface and Water Rights*

Under Uruguayan law, surface rights are independent of mineral rights, and land access and use must be negotiated with the surface rights holder.

The Water Code, Decree No 14.859 of 1978, establishes the legal framework for water resources management in Uruguay. The Water Code grants sole ownership and managerial responsibilities of superficial and groundwater resources to national and municipal government, including the establishment of water user fees. The Water Code however maintains water property rights to private owners issued prior to the enactment of the Water Code, if registered appropriately. Uruguayan government grants water use rights through concessions and permits based on quantity, end purpose, and general interest related to water use.

#### *Environment*

The Uruguayan Constitution establishes environmental protection as a matter of public interest. The Ministry of Housing, Territory and Environment supervises all environmental matters, through the National Environment Directorate (DINAMA). A party that causes environmental damages, environmental pollution, or breaches environmental rules or laws has civil responsibility for remediation.

On January 19, 1994, the Uruguayan Government enacted Law 16.466, (regulatory decree passed September 1994, and updated on September 2005 and December 2013) which established the requirement for mining companies to be issued with an Environmental Impact Authorization (“EIA”) prior to the commencement of construction and mining activities, including exploration.

Uruguay mining legislation requires all mining licenses to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration or mining activities. These guarantees are required to be posted by qualified financial institutions. Orosur have the required guarantees in place. For exploration activities, total guarantees provided by the Corporation as of May 31, 2018 are approximately US\$412k.

All mining activities and the operation of the tailings storage facility at San Gregorio must be performed under specific environmental licenses issued by the Uruguayan State. Environmental licenses are also required for drilling under Exploration Licenses.

A comprehensive closure plan has been developed for the operation. Uruguayan mining and environmental legislation require environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of US\$1,351,000 (2017 - US\$1,300,000) has been provided by Santander Bank Uruguay (\$1,200) and a local Uruguayan insurance company (\$ 151). An environmental guarantee for US\$5,000,000 (2017 – US\$5,000,000) has been provided by AIG.

#### *Uruguay Mega Mining Law*

On September 25, 2013, Uruguayan Law N° 19.126 was published. This new law regulates large scale mining operations (“*Actividad Minera de Gran Porte*”). According to the discussion and drafts presented, Orosur’s San Gregorio Complex might qualify as a large-scale project. That would imply Orosur would be subject to additional taxation in cases of extraordinary high profits. As of May 31, 2018, this law has not been implemented and is not expected to be regulated.

### **4.3.2 Chile**

#### *Mineral Title*

Chile’s mining policy is based on legal provisions that were enacted as part of the 1980 constitution. These were established to stimulate the development of mining and to guarantee the property rights of both local and foreign investors. According to the law, the state owns all mineral resources, but exploration and exploitation of these resources by private parties is permitted through mining concessions, which are granted by the courts.

The concessions have both rights and obligations, as defined by the Constitutional Organic Law on Mining Concessions (JGRCh, 1982) and the Mining Code (JGRCh, 1983). Concessions can be mortgaged or transferred, and the holder has full ownership rights and is entitled to obtain the rights of way for exploration and exploitation. In addition, the concession holder has the right to defend his ownership against state and third parties. A concession is obtained by a claim application and includes all minerals that may exist within its area.

During the claim acquisition process, several steps are required (application, publication, inscription payments, notarization, tax payments, patent payment, legal fees, publication of the extract, etc.) before the application is finally converted to a declaratory sentence by the court constituting the new mineral property. A full description of the process is documented in JGRCh (1982, 1983). Many of the steps involved in establishing the claim are published weekly in Chile’s official mining bulletin for the appropriate region, and court processes for opposition from conflicting claims is allowed.

Exploration concessions are for a period of two years unless an extension is requested prior to expiry of the concession. Extensions are granted for a maximum of two additional years, together with waiving half of the area allocated. While an exploration concession is in force, its holder is the only one who can file for an exploitation concession in the same area. Exploitation concessions are granted for indefinite time.

The owner of a concession has the following additional rights and obligations:

- To occupy as much of the surface land as necessary for the exploration or exploitation works, upon payment of the proper indemnity for damages to the surface landowner.
- To pay the annual licence fee. Failure to pay any annual licence fee may cause the loss of title to the concession through an auction process.
- To obtain the necessary environmental approvals.
- To comply with health and safety protection rules; civil construction developments rules, mining work, machinery, equipment, tools, buildings and mining facilities; and special environmental authorizations (fines, closure and even termination or mining activities may apply in case of infraction of such obligations).

In Chile, the ‘mining royalty’ or ‘specific mining tax’ is structured as an income tax on the ‘taxable operating income’ from mining activities. Any individual or legal entity who extracts minerals of a type that could be

subject to a mining concession, and who sells such minerals in any state of production, is subject to the tax on his or her 'taxable operating income'. This is defined as net income determined for corporate tax purposes, with some adjustments. The specific mining tax rate is progressive, based on the taxpayer's gross sales of minerals with a rate schedule from 0 to 4.5%, although mining taxpayers with gross sales of minerals greater than a certain threshold are subject to a 5 to 14% flat tax rate depending on the level of sales and mining margin (currently approximately US\$350M).

#### *Surface and Water Rights*

In accordance with the Chilean Mining Code, any holder of a mining concession, whether for exploration or exploitation, would have the right to judicially impose an easement over the surface land as required for the convenient and comfortable exploration or exploitation of his/her concession. Accordingly, and as general rule, in the event that the surface property owner is not agreeable to grant the easement voluntarily, the holder of the mining concession may request said easement before the ordinary courts who shall grant it upon determination of the compensation for losses as deemed fit.

#### *Environmental and Socio-Economic Issues*

All mining projects to be executed in Chile have to comply with environmental regulations defined in Law N° 19,300 (CONAMA, 1994), which came into force in March 1994, and was modified in January 2010.

Currently, there are two ways of submitting a project for environmental approval, which depend on the potential environmental impacts. If the project does not generate significant impacts, the law only requires that an Environmental Impact Statement (DIA) be prepared; otherwise, an Environmental Impact Assessment (EIA) is necessary. The latter includes baseline studies, a complete technical description of the project, impact assessment, public hearings and environmental plans, among other requirements.

Mining projects are generally supported by an EIA, except for exploration activities not located in wildlife conservation areas. The definition of exploration in the context of this regulation is "actions or works leading to the discovery, characterization, delimitation and estimation of the potential of a concentration of mineral substances which may eventually lead to a mine development project." Early stage exploration drilling generally does not require a DIA. Drilling under an exploration licence to define an orebody requires a DIA to be submitted and approved before drilling commences.

The EIA and DIA are submitted to be reviewed by the public authority, which will take 120 days and 60 days, respectively, for the approval or rejection of the project. If the project is approved, an environmental permit is awarded then development can commence.

#### **4.3.3 Colombia**

In May 2010, Waymar Resources Ltd. retained Snowden Mining Industry Consultants to prepare a technical report entitled "Waymar Resources Ltd.: Anzá VMS Project, Project No. L00176 – Geological and Exploration Review May 2010" (the "Waymar Report"). The following description of the Anzá project is derived from the Waymar Report and has been prepared with the consent of Mr. C.J. Bargmann, C.Geol, Pr. Sci.Nat and Dr. M. Platten, C.Geol.

The Waymar Report has been prepared in accordance with NI 43-101, and is also available under the profile of the Corporation on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Mineral tenure

Mineral property rights in Colombia are governed by the Colombian Mining Code which has been subject to various changes and amendments. The oldest version applicable is Law 20 of 1969, which was superseded by Decree 2655 of 1988. The 1988 decree was in turn amended by Law 685 of 2001 and again on 9th February 2010 when Law 1382 amended certain articles of the 2001 code. The terms and conditions applicable to existing concessions are not amended by subsequent legislation, so active concessions can operate under either the 1969, 1988, 2001 or 2010 mining codes.

The 2001 and 2010 mining code allows for a single concession contract covering the exploration, construction and exploitation phases. Concessions have a maximum duration of 30 years, and may be renewed on request for another 30 years under the 2001 mining code or up to 20 years under the 2010 mining code. The maximum concession size is 10,000 ha. Concessions can be specific to the named

mineral so it is possible for overlapping concessions, e.g. a gold and a copper concession, to be held by different companies.

Until the promulgation of the 2010 mining code the issuing of concessions and their registration into the National Mining Register was traditionally a lengthy process. Once an application is submitted, the delegated mining authority undertakes a technical study to define the amount of free ground that is actually available. This free area report is then provided to the applicant who must then indicate his willingness to proceed. If the applicant wishes to proceed, concession documentation is drawn up by the delegated mining authority for signature. Prior to the promulgation of the 2010 code, the process of drafting and signing concession documentation frequently took a considerable length of time, often lasting for a number of years. During this period, the applicant retained an exclusive right to the area of the concession, without having to pay concession fees, and non-invasive prospecting, such as geological mapping and stream sediment sampling, could be undertaken.

The 2010 mining code closed this loophole and requires that the first year's concession fees are paid within three days of the definition of the final awardable area by the delegated mining authority. Signing of the concession contract documentation must be completed within 180 days of the awardable area being defined. The 2010 mining code also provides an amnesty lasting until 9th May 2010 by which time the concession fees for all unsigned concession contracts under earlier mining codes must be paid, even if the process of signing and registering the contracts takes longer. Failure to do so will lead to the loss of the concession.

Under the 2001 mining code the exploration phase lasts for the first three years of the concession contract and this can be extended for a further two years, giving a total of five years for exploration. This period is modified under the 2010 mining code allowing an initial exploration period of five years, extendable three times for periods of two years each, resulting in a maximum of 11 years for exploration.

In order to proceed to the construction phase, the concession holder must at least 30 days prior to the completion of the exploration phase, submit a building and works plan — Plan de Trabajos y Obras (“**PTO**”) - to the relevant mining authority for approval and concurrently submit an environmental impact study — Estudio de Impacto Ambiental (“**EIA**”) - to the relevant environmental authority.

The PTO is based upon the results obtained during the exploration phase and includes the delimitation of the area to be exploited, cartographic information of the area, details of the minerals to be exploited and their characteristics, the description and location of all facilities and mining infrastructure, site rehabilitation plans, details of the proposed mine plan and life of mine, a closure plan and an exploitation reclamation plan.

The EIA provides the technical support parameters to obtain an environmental license. Depending on the commodity being produced and the level of production, this study must be submitted to the Ministry of the Environment or to the relevant regional environmental authority. The environmental license grants the necessary environmental permits including, concessions and authorizations, to make use of and profit from renewable natural resources necessary to move the project forward, including resources such as water and timber. The construction phase cannot commence until the environmental license is obtained.

The construction phase lasts for three years, commencing on acceptance of the PTO, and may be extended for an additional year. During this phase, the holder has the right to prepare the mining area and install the services, equipment, and fixed machinery necessary to start and carry out the extraction, storage, transportation and beneficiation of minerals. The final site construction, facilities and mining equipment should conform to the specifications detailed in the approved PTO. Once the construction phase has been completed the exploitation phase lasts for the remaining duration of the concession contract.

Numerous concessions issued under the 1988 mining code are still active in Colombia and their conditions differ from the 2001 and 2010 codes. An exploration license - Licencia de Exploracion - is issued whose terms vary according to the size of the licence. For an area up to 100 hectares (ha), the initial exploration term is one year, with an extension possible for one additional year. Areas between 100 ha and 1,000 ha have an initial term of two years with an extension possible for one additional year. For licence applications greater than 1,000 ha the initial exploration term is five years, with no extension possible. A report of work performed during the term of the exploration license must be filed with the MME. Once the exploration term has expired, the holder must submit a Final Exploration Report and a Works and Investment Program - Programa de Trabajos e Inversiones (“**PTI**”) - to the relevant mining authority for approval. Exploitation

licenses issued under the 1988 code have a term of 10 years which can be extended for a further 10 years if requested.

Colombian mining law specifically provides that the owner of a concession contract, exploration license or exploitation license is entitled to use so much of the surface as is necessary to carry out the activities under the given license or contract. The law grants exclusive temporary possession of mineral deposits and provides mandatory easements to ensure efficient exploration and exploitation of legal mining titles. Remuneration payable to the surface owner should be based on the reasonable and fair market value of the land and is not to include any value attributable to the development of the mineral wealth. Any payments should only be for the surface area that is affected by, used or occupied by the exploration or mining activity. Should areas not subject to the easement be deemed to have lost value, this loss can be taken into account, when fixing the remuneration payable to the land owners. If necessary it is possible for the concession holder to make a request to Ingeominas, or the relevant competent mining authority, for the expropriation of the lands necessary for the planned mining activities.

For the purposes of preparing this report, Snowden have adopted CGL's methodology in order to classify the Anzá concessions. Concessions are grouped into five groups based on their status under the 2001 mining code:

- a) Application submitted: An application has been submitted but the delegated mining authority has not produced its technical study confirming the amount of free ground available.
- b) Free area report produced, contracts pending signing: The delegated mining authority has completed their technical study and confirmed the free ground available. The applicant has indicated their willingness to proceed and the concession contracts are drafted but unsigned. Concession fees are due for payment once the contract is signed and registered in the National Mining Register. Under the 2010 mining code, concession fees are payable three days after the free area is defined and the contract should be signed within 180 days. The 2010 code also requires that payment for all pre-existing applications under earlier mining codes is made by 9th May 2010. Failure to do so will result in the loss of the concession.
- c) Exploration stage: The concession contract or exploration licence is signed, registered and the concession fees are paid. Concessions in this category have been legally issued and registered in the National Mining Register. PTO and EIA applications must be made prior to expiry of the exploration phase in order to gain the necessary approvals to advance to the construction and exploitation phases.
- d) Construction stage: Under the 2001 and 2010 mining codes, following the approval of the PTO and EIA, the construction phase can begin. Under the 1988 mining code exploration licenses move directly to exploitation licenses upon approval of the PTI and environmental licenses. Concession fees remain payable during the construction phase.
- e) Exploitation stage: Normally issued after the construction stage. Under the 2001 and 2010 mining codes tenure remains set at 30 years from the initial date of inclusion on the National Mining Register, prior to the commencement of the exploration stage. Under the 1988 mining code exploitation licenses are valid initially for 10 years. The concession fee structure is now replaced by a royalty-based system.

#### Agreements, royalties and other encumbrances

Under the terms of the Colombian mining code concession fees are paid in single annual payments from the time that a concession contract has been granted.

For the mining concession contracts that were perfected prior to 2010 and after May 10<sup>th</sup>, 2013, Law # 685 (2001) applies and the payment of annual fees is based on the current value of the daily minimum wage, as follows. Concessions of up to 2,000 ha pay one daily minimum wage per hectare per year (currently US\$10.67/ha). Concessions covering 2,001 to 5,000 ha pay two daily minimum salaries (US\$21.34/ha) and those covering more than 5,000 ha pay three minimum daily wages per hectare per year (US\$32/ha).

Concession contracts granted between 2010 and 2013 fall under the terms of Law # 1382 (2010). Annual holding fees for these concessions are categorized by age rather than size. US\$10.67/ha are paid for the first five years of the concession; US\$13.30/ha for years six and seven; and US\$16/ha for years eight to eleven if the exploration phase is extended.

Once the exploitation phase has commenced royalties based on gross production are payable in accordance with Article 16 Law 141/1994 which was modified by Law 756/2002. For base metals, the royalty is 5% of gross production, whilst for gold and silver a nominal royalty of 4% is payable. Royalties are paid to the Royalties National Fund who then distributes the funds to provincial projects.

Pursuant to the Niverengo Option Agreement, whereby Waymar exercised the option and acquired the 100% interest in the Anzá Project, the vendor received a 2% net smelter return royalty on future production from the property. Orosur retained the right to purchase one-half of the NSR (1%) in consideration of a payment of US\$1.0mm.

### Environmental and other permits

During the exploration phase all activities which exceeds prospecting, mapping and sampling, requires the submission and approval of an Environmental Management Plan - Plan de Manejo Ambiental (“PMA”). This principally covers drilling activities and should include details of the following:

- the work to be undertaken (the number of drill holes, location, direction, depth, etc.);
- the proposed sources of drilling water, and details of any diversions to existing watercourses so that appropriate water usage permits can be issued;
- the location and number of settling ponds to prevent contamination of local waterways by drilling fluids; and
- the location of fuel and oil storage areas which should be located away from watercourses.

The preparation and filing of the PMA is normally the responsibility of the drilling contractor, and these are typically approved in 15 to 30 days, although this can take up to a maximum of 90 days. No bond payment is required for exploration PMA's, and no site reclamation is required. While PMA's do not require any authorization or environmental permits, work carried out in sensitive areas such as nature reserves and national parks are governed by additional rules and restrictions.

Additional permits are required during the exploration phase for fluid discharge, atmospheric emissions, forestry clearance, and land access.

In terms of the 2001 and 2010 mining codes an EIA is required to be submitted as part of the application for construction and exploitation status. The EIA must include details of the baseline study, an assessment of the overall environmental impact of the projects and plans for rehabilitation. Concession holders are encouraged to work with artisanal miners in order to address the environmental issues. There are no requirements in terms of the 1988 legislation for the submission of an EIA, although a rehabilitation plan is required.

An additional impact of the 2010 mining code is the banning of exploration and mining activity from the Paramo ecosystems in Colombia. These are high altitude glacial valleys and plains featuring peat bogs intermingled with grassland, scrub and small patches of forest (Mining Weekly, 2010). In general, the Paramo is found at elevations of > 3,000 m, although the exact elevation of these ecosystems is variable.

The 2001 and 2010 mining codes also require the concession holder to obtain an Environmental Mining Insurance Policy. During the exploration stage, the insured value under the policy must be 5% of the value of the planned annual exploration expenditures and during the construction phase the insured value under the policy must be 5% of the planned investment for assembly and construction under the PTO. During the exploitation phase the insured value under the policy must be 10% of the estimated annual production multiplied by the average price received for the product. For licenses or agreements subject to the 1988 mining code the licence holder has to obtain an insurance policy with an insured value of 10% of the estimated production for the first two years as established by the PTI.

### Tropical Dry Forest Temporary Protected Area

In August 2015, the Ministry of Environment of Colombia delineated a temporary protected area with the objective to review the existence of biodiversity areas such as the tropical dry forest (“TDF”) in order to

give them a protected area status. This was done via a precautionary measure, thus without any prior study of the areas and for a term of 2 years, which in 2017 was extended for another year.

During such term, the competent environmental authorities for each area are supposed to declare, delineate and categorize the temporary areas of protection and development of the natural resources contained.

The temporary protected area includes "Polygon 15: Tropical Dry Forest" located in the jurisdiction of Antioquia which affects partially the Company's mining licences.

In 2018, a special Work Group was formed with affected parties, including the Company, the Mining Agency and the local Environmental Agency in order to define a protected area limit and category. At the end of this process the Ministry of Environment will determine, if applicable, the final category and delineation of the protected area, which could be categorized as a National or Regional Park where mining activity may likely be prohibited, or as an Integrated Management Regional/National District where mining is permitted under special controls and requirements.

#### **4.4 Employees**

As of May 31, 2018, OMI had 231 direct employees of whom 221 were based in Uruguay, 1 were based in Chile and 9 in Colombia.

As of May 31, 2017, OMI had 358 direct employees of whom 347 were based in Uruguay, 4 were based in Chile and 7 in Colombia.

As of May 31, 2016, OMI had 301 direct employees of whom 294 were based in Uruguay, 4 were based in Chile and 3 in Colombia.

Employees were involved in the following activities:

	<b>2018</b>	<b>2017</b>
General management and administration	32	41
Mining and plant operation at the San Gregorio plant	172	284
Exploration activities	27	33
<b>Total</b>	<b>231</b>	<b>358</b>

#### **4.5 Risk Factors**

OMI's net earnings in the near-term are affected primarily by its mining operations and, in the longer term, will be affected primarily by the success or failure of its exploration and development activities. The Board recognizes that the exploration and development of natural resources is a highly speculative activity that involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. Accordingly, the Board considers the risks to which the Corporation is exposed as part of its regular operations, and keeps these under review.

The principal risk factors noted below do not necessarily comprise all of those faced by the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently considers immaterial may also impair the business operations and future prospects of the Corporation. If any of the following risks actually occur, the business of the Corporation may be harmed and its financial condition and results of operations may vary significantly.

##### *a. Going Concern*

The Corporation's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. These material uncertainties may cast significant doubt upon the Corporation's ability to realize its assets and discharge its liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. Although the Corporation has been successful in the past in obtaining financing there is no

assurance that it will be able to obtain adequate financing in future or that such financing will be on terms advantageous to the Corporation.

The risks and uncertainties associated with the completion of the Loryser Reorganization Proceedings and obtaining adequate financing to cover corporate and Colombia holding costs significant doubt upon the Corporation's ability to continue as a going concern.

*b. Liquidity risk*

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations as they come due. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Corporation 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.

Additional funding may include joint venture or other third-party participation in Anzá and/or San Gregorio, or the public or private sales of equity or debt securities of the Corporation. There can be no assurance that additional funding will be available to the Corporation or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Corporation may be required to delay or reduce the scope of its exploration activities in Anzá and its development projects at San Gregorio and curtail or put its current mining operations on hold or under care and maintenance. The Corporation is currently engaged in a number of funding and strategic discussions with external parties

*c. Financing*

The exploration and development of the various mineral properties in which the Corporation holds interests may require external financing. There is no assurance that the Corporation will be successful in obtaining required financing as and when needed. Volatile markets for precious metals may make it difficult or impossible for the Corporation to obtain debt financing or equity financing on favorable terms or at all. Failure to obtain financing on a timely basis may cause the Corporation to postpone any development plans, forfeit rights in some of its properties or reduce or terminate some or all of its operations.

*d. Sensitivity to Commodity Price and Foreign Exchange Rates*

The Corporation's revenues, net earnings and cash flow from operations are affected principally by changes in the price of gold. Historically gold has been subject to 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 Corporation's gold sales are priced in US dollars while its operating costs are incurred in US dollars, Canadian dollars, Uruguayan pesos, Chilean pesos and Colombian pesos. OMI has financial exposure to foreign exchange fluctuations in the Uruguayan, Chilean and Colombian peso and the Canadian dollar relative to the US dollar.

*e. Exploration, Mining and Operational Risks*

The Corporation's business operations are subject to risks and hazards inherent to the mining industry, including but not limited to unanticipated variations in grade and other geological problems, water availability conditions, metallurgical and other processing problems, mechanical equipment performance problems, the availability of materials and equipment, accident, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

The Corporation periodically reviews mining schedules, production levels and asset lives in its life-of-mine planning for all of its operating and development properties. Significant changes in the life-of-mine plans can occur as a result of mining experience, new ore discoveries, changes in mining methods and rates,

process changes, investments in new equipment and technology, precious metals price assumptions, and other factors. Based on this analysis, the Corporation reviews its accounting estimates.

As a result of the foregoing risks, among other things, expenditures on any and all projects, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs, just as estimated production dates may be delayed materially, in each case especially to the extent development projects are involved. Any such event can materially and adversely affect the Corporation's business, financial condition, results of operations and cash flows.

*f. Uncertainty Relating to Mine Development*

The Corporation's ability to maintain or increase its annual production of gold will be dependent in significant part on its ability to bring new mines into production and to extend the life or expand existing mines. Although the Corporation utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), precious metals price assumptions, the configuration of the ore body, expected recovery rates of metals from the ore, comparable capital and operating costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership burdens and other factors. The Corporation's development projects are also subject to the successful completion of final feasibility studies, receipt of necessary permits and of adequate financing.

*g. Uncertainty in the Estimation of Mineral Resource and Mineral Reserve*

The Corporation's reported mineral reserves and resources are only estimates. No assurance can be given that the estimated mineral resources and reserves will be recovered or that they will be recovered at the rates estimated. Mineral resource and reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral resource and mineral reserve estimates may require revision (either up or down) based upon increasing geological understanding and past operations. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral reserves uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, changes in short-term operating factors relating to the mineral reserves and mineral resources, such as changes to the sequential development of ore bodies and the processing of new or different ore grades, may adversely affect the Corporation's profitability in any particular accounting period.

The Corporation uses Canadian NI 43-101 guidelines which are based on the "CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines" when estimating a resource or reserve.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration. Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure.

The Corporation's ability to undertake exploration development and mining activities requires it to reach agreements with land owners with respect to the land over which its mineral rights exist. Current mining laws provide regulations that allow this access to be granted in the event that voluntary agreement cannot be achieved. Generally, the Corporation can achieve voluntary agreements with land owners for this access. However, to the extent that an agreement cannot be reached with landowners, this regulatory

process to compel access from landowners can be lengthy and uncertain creating risks that delay project development and ultimately mean that the project may not be developed.

*h. License Risks*

All prospecting, exploration and mining licenses and titles in Uruguay, Chile and Colombia are granted by the Governments of these countries for finite periods of time and with increasingly stringent environmental requirements. These Governments are bound by rules of priority of application, and security of title once granted. However, Uruguay, Chile and Colombia are sovereign states, and there can be no guarantee that any of these States will continue to grant or respect mining licenses, and that the licenses will not be challenged or negated for political reasons of other reasons.

Individual licenses expire from time to time and OMI 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 expired licenses must fall open before they can be re-applied for. Moreover, on conversion, there is a risk that the application for the conversion of a license will not be granted.

*i. Exploration Risks*

Since mines have limited lives based on proven and probable mineral reserves, the Corporation continually seeks to replace and expand its reserves. Mineral exploration, at both newly acquired properties and existing mining operations, is highly speculative in nature, involves many risks and frequently does not result in the discovery of mineral resources and mineral reserves. There can be no assurance that the Corporation's exploration efforts will result in the discovery of significant gold mineralization or that any mineralization discovered will result in an increase of the Corporation's proven or probable mineral reserves. If such reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that the Corporation's exploration programs will result in the replacement of current production with new reserves or that the Corporation's development program will be able to extend the life of its existing mine. In the event that new reserves are not developed, the Corporation will not be able to sustain any mine's current level of gold production beyond the life of its known reserve estimates.

*j. Governmental and Environmental Regulation*

The Corporation's mining operations and exploration activities are subject to extensive foreign laws and regulations governing exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historical and cultural resources preservation, mine safety and occupational health, handling, storage and transportation of hazardous substances and other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Corporation's mine and other facilities in compliance with such laws and regulations are significant.

New laws and regulations, amendments to existing laws and regulations, administrative interpretation of existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the Corporation's results of operations and financial condition.

*k. Key Personnel*

Recruiting and retaining qualified personnel is critical to the Corporation's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. Although the Corporation believes that it will be successful in retaining qualified personnel already recruited, there can be no assurance of such success.

*l. Insurance Coverage*

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, environmental occurrences, political and social instability that could result in damage to or destruction of mineral properties or producing facilities,

personal injury or death, environmental damage, delays in mining caused by industrial accidents or labour disputes, changes in regulatory environment, monetary losses and possible legal liability.

It is not always possible to obtain insurance against all such risks and the Corporation may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

*m. Market Volatility*

The market price of a publicly traded stock is affected by many variables not directly related to the success of the Corporation. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

*n. Labour and Employment Matters*

Production at the Corporation's mining operations is dependent upon the efforts of the Corporation's employees and the Corporation's relations with its unionized and non-unionized employees. In addition, relations between the Corporation and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in those jurisdictions in which the Corporation carries on business. Changes in such legislation or in the relationship between the Corporation and its employees may have a material adverse effect on the Corporation's business, financial condition and results of operations.

The San Gregorio operation has experienced labour issues in the past, including work stoppages or suspension of operations due to legal or illegal strikes or illegal road blockades. In accordance with Uruguayan law the Corporation conducts periodic negotiations with unions and the Corporation's employees to reach collective bargaining agreements. The last collective bargaining agreement was signed in July 2016 and covers the period January 2016 to December 2018.

*o. Joint Ventures*

A number of the properties in which the Corporation has an interest in are operated through joint ventures with other mining companies and will be subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the viability of the Corporation's interests held through joint ventures, which could have a material adverse impact on the Corporation's results of operations and financial conditions:

- Inability to exert influence over strategic decisions made in respect of joint venture properties,
- Disagreement with partners on how to develop and operate mines efficiently;
- Inability of partners to meet their obligations to the joint venture or third parties; and litigation between partners regarding joint matters.

*p. Property Interests*

The ability of the Corporation to carry out successful mineral exploration and development activities and mining operations will depend on a number of factors. The section 3 of this AIF entitled "General Development of Business" identifies the Corporation's obligations with respect to acquiring and maintaining title to the Corporation's interest in certain of its current properties. No guarantee can be given that the Corporation will be in a position to comply with all such conditions and obligations, or to require third parties to comply with their obligations with respect to such properties. Furthermore, while it is common practice that permits and licenses may be renewed extended or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal, extension or a transfer will be granted to the Corporation or, if they are granted, that the Corporation will be in a position to comply with all conditions that are imposed. A number of the Corporation's interests are the subject of pending applications to register assignments, extend the term, increase the area or to convert licenses to concession contracts and there is no assurance that such applications will be approved as submitted.

The Corporation is satisfied, based on due diligence conducted by the Corporation that its interests in the properties are valid and exist as set out in this AIF. There can be no assurances, however, that the interest in the Corporation's properties is free from defects or that the material contracts between the Corporation and the entities owned or controlled by foreign government will not be unilaterally altered or revoked. There is no assurance that such rights and title interests will not be revoked or significantly altered to the detriment of the Corporation. There can be no assurances that the Corporation's rights and title interests will not be challenged or impugned by third parties. The Corporation's interests in properties may be subject to prior unregistered agreements or transfers and title may be undetected defects or governmental actions.

Certain of the Corporation's property interest are also the subject of joint ventures that give the Corporation the right to earn an interest in the properties. To maintain a right to earn an interest in the properties, the Corporation may be required to make certain expenditures in respect of the property maintenance and to government claim and other fees. If the Corporation fails to make the expenditures or fails to maintain the properties in good standing, the Corporation may lose its right to such properties and forfeit any fund expended to such time.

#### *q. Competition*

The mining industry is intensely competitive in all of its phases, and the Corporation competes with many companies possessing greater financial resources and technical facilities than itself with respect to the discovery and acquisition of interests in mineral properties, and the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Corporation's prospects for mineral exploration in the future.

## **ITEM 5 PRINCIPAL PROPERTIES**

### **5.1.0 San Gregorio Gold Project**

On June 27, 2011, the Corporation filed the technical report titled "*Updated Technical Report on the Arenal Deeps Deposit Minas de Corrales Project, Department of Rivera, Uruguay*" dated May 31, 2011 (the "**Arenal Deeps Technical Report**") on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com) ("**SEDAR**").

The following information is derived from, or referenced in, the Arenal Deeps Technical Report which was authored by Steven Ristorcelli of Mine Development Associates, Inc. ("**MDA**") who is a "qualified person" as that term is defined in NI 43-101, and prepared in accordance with the requirements of NI 43-101.

This section has been updated by the Corporation to the date of this AIF by Miguel Fuentealba, a consultant of the Company and "qualified person" under NI 43-101. A complete copy of the Arenal Deeps Technical Report, portions of which are quoted verbatim or paraphrased herein, is available for inspection upon request from the Corporation's head office, as well as on SEDAR.

During FY 2016, the San Gregorio operation produced 35,773 oz gold and 28,341 oz of silver. The average cash operating cost for the year was US\$877/oz of gold.

During FY 2017, the San Gregorio operation produced 35,371 oz gold and 28,343 oz of silver. The average cash operating cost for the year was US\$829/oz of gold.

During FY 2018, the San Gregorio operation produced 27,586 oz gold and 20,255 oz of silver. The average cash operating cost for the year was US\$970/oz of gold.

#### **5.1.1 Project Description and Location**

San Gregorio is situated in the Department of Rivera, in north-eastern Uruguay, approximately 450 km north of Uruguay's capital city, Montevideo, and approximately 70 km south of the international border with Brazil (Figure 5.1). It lays at an approximate latitude and longitude of 31° 35.2' South, 55° 30.4' West.

The primary mineralized system at San Gregorio covers a 7 km long shear zone within the Isla Cristalina Belt. In aggregate the San Gregorio system has produced in excess of 1.2 Moz with the main contributors being the Arenal, San Gregorio and Santa Teresa deposits developed, owned and operated by Orosur. Additional resources have also been defined on veins and structures that splay off the main mineralized

trend; including Veta A, Veta Sur, Veta Rey and Polvorín, and other satellite deposits including Zapucay/Argentinita, Picaflor, Castrillon, Sobresaliente, Laureles and Vaca Muerta. Further resources, outside the constraints of the Isla Cristalina Belt, have also been identified as potential satellite deposits and include Crucera, Presidente Terra and Mahoma.

Closure of the first Tailings Dam Facility ("TSF I") was completed by September 2014. Phase 1 of the Second Tailings Dam Facility ("TSF2") was put into operation in August 2012, after the Environmental Operation Permit was granted. In March 2013, TSF II (Phase 2) was completed and an Environmental Operation Permit was granted in August 2013. The construction of TSF II (Phase 2b) began in June 2014 and finalized in February 2015. The construction of the TSF II (Phase 3) was finished in April 2016. The Company commenced and completed construction of phase 4A of the tailings dam during FY17.

During the second half of FY16, the Arenal underground mine was closed down as planned and in the natural course of its life of mine. The Company's final reserve reconciliation indicates that on top of the initial 140,000 ounces of gold originally defined prior to commencing production, an additional 45,000 Oz were added by introducing a cement backfill program. A total of 143,488 ounces was mined, the variance mainly explained by a diminishing ore grade in the actual production.

As the Arenal mine was nearing the end of its life, preparatory works for the new underground mine at San Gregorio West (SG W UG) was being conducted at the same time. This concurrent closure and development represents a material achievement as the personnel and mine equipment were utilised very efficiently and allowed for an improved cost, performance and ramp up. Neither project experienced production disruptions as a result.

SGW UG achieved commercial production, reaching its designed production figures, in December 2016. The San Gregorio Mining Complex, which includes SG W UG; San Gregorio UG central and San Gregorio East UG are the primary current sources of ore the near term mining plan.

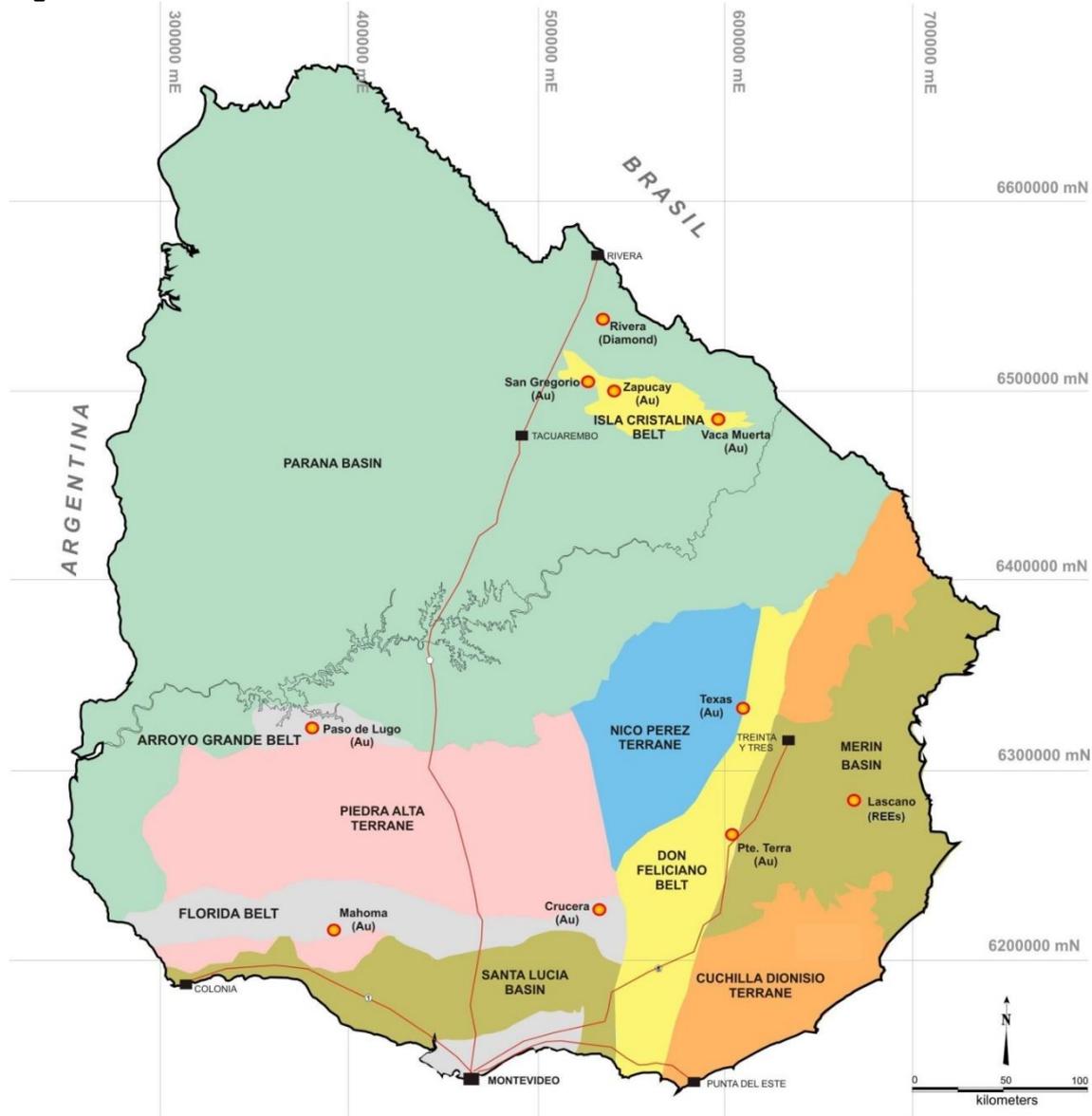
During July 2018 production of San Gregorio West and Central was finalised, totaling 23 months of production. Due to changes in the geometry and gold grade of the ore body, modifications in design were introduced to adjust the mine plan to the real mineralization. A total of 630 Kt of material averaging 1.44 g/t Au was mined (29,170 oz contained gold).

San Gregorio East which was part of the original mining plan, is a marginal project estimated to having a 16 months production horizon and with production of 14Koz of gold) with the first 12 months resulting in a negative accumulated cash flow.

Due to the reduced grade profile and economic outlook for SGE, and need for additional economic resources to undertake the required mining and development, the decision to not to proceed with the mining of San Gregorio East was made.

Veta A, a newly defined orebody averaging 2.2 g/t Au has undergone preliminary analysis and is viewed by the Company as a strong development target, which would require additional financing, environmental permitting and further exploration to proceed with the development and mining of this deposit.

**Figure 5.1 SGGP Location**



Orosur controls over 52,000 hectares of tenements in Uruguay. The Company controls approximately 38,700 hectares of mining and exploration tenements in the vicinity of the SGGP area, mainly along the strike of the San Gregorio Fault System (“SGFS”), which is interpreted to be the main regional control on gold mineralization.

The list of the main tenements in the SGGP is shown in table 5-1. All tenements are fully owned and controlled by Orosur subsidiaries.

**Table 5-1 – List of the main tenements in the SGGP**

Tenement ID	Tenement Name	Tenement Type	Company	Area (há)	Expiry Date yyyymmdd	Comments
1502/14	Laureles	Exploitation	MONTEMURA	100	20000226	
285/93	San Gregorio Ext. W	Exploitation	Minera San Gregorio	62	20241004	
462/89	San Gregorio / Main	Exploitation	LORYSER	121	20191214	
514/92	Sta. Teresa Main/ St	Exploitation	Minera San Gregorio	124	20260814	
634/90	Zapucay/ Argentinita	Exploitation	GLENDORA	187	20180822	Applying for extension
69/04	Arenal	Exploitation	LORYSER	352	20191005	
706/97	Sta. Teresa W/ Sta.	Exploitation	Minera San Gregorio	59	20200122	
735/16/05	Sobresaliente	Exploitation	LORYSER	59	20220727	
823/93	Cº de la Cruz/Veta A	Exploitation	DALVAN	243	20190419	
965/16	Mina Perú	Exploitation	GLENDORA	74	20211029	
1085/10	New Australia Norte	Exploration	GLENDORA	80	20180916	
1233/13	Sobresaliente W	Exploration	BRIMOL SA	51	20200123	
1238/13	Sobresaliente Sur	Exploration	DALVAN	100	20171210	Applying for extension
1915/12	New Australia	Exploration	GLENDORA SA	104	20181221	
2181/11	Zapucay Oeste 2	Exploration	DALVAN	54	20180901	
2688/13	Pampas 2	Exploration	LORYSER	163	20191011	
2691/13	Manto Verde	Exploration	LORYSER	329	20200111	
337/12	Santa Barbara	Exploration	DALVAN	24	20181219	
395/11	Arenal este	Exploration	GLENDORA	41	20190327	
591/12	New Australia	Exploration	MSG	23	20200808	
596/12	New Australia Sur	Exploration	MSG	56	20171220	Applying for extension
606/12	Peru_Esperanza	Exploration	GLENDORA	669	20181205	vence 2018/12/05
609/12	Laureles	Exploration	GLENDORA	136	20180919	
64/16	PAMPAS III	Exploration	LORYSER SA	78	20200111	
640/14	Don Tito	Exploration	BRIMOL	112	20170120	Applying for extension
906/12	Laureles 2	Exploration	MONTEMURA	185	20150508	Applying for extension
750/11	MINA RICA	Prospection	GLENDORA	2050	20200605	
910/12	Ao Laureles	Prospection	BOLIR	963	20200531	
2263/13	Vichadero	Prospection	MONTEMURA	751	20200130	
262/12	Vaca Muerta	Prospection	LORYSER	291	20181007	

The boundaries of all tenements are surveyed by registered cadastral surveyors. All operations, activities and facilities are contained wholly within tenements and do not encroach upon tenement boundaries.

The Company has purchased the majority of the land affected by current mining operations. This has allowed unrestricted access for exploration and drilling activities. Where Orosur does not own the underlying land affected by mining, satisfactory access agreements have been reached to allow deposits to be developed. Royalties are paid to land owners where mineral is extracted from deposits on land owned by third parties.

### 5.1.2 Location of Ore Sources and Facilities at the SGGP

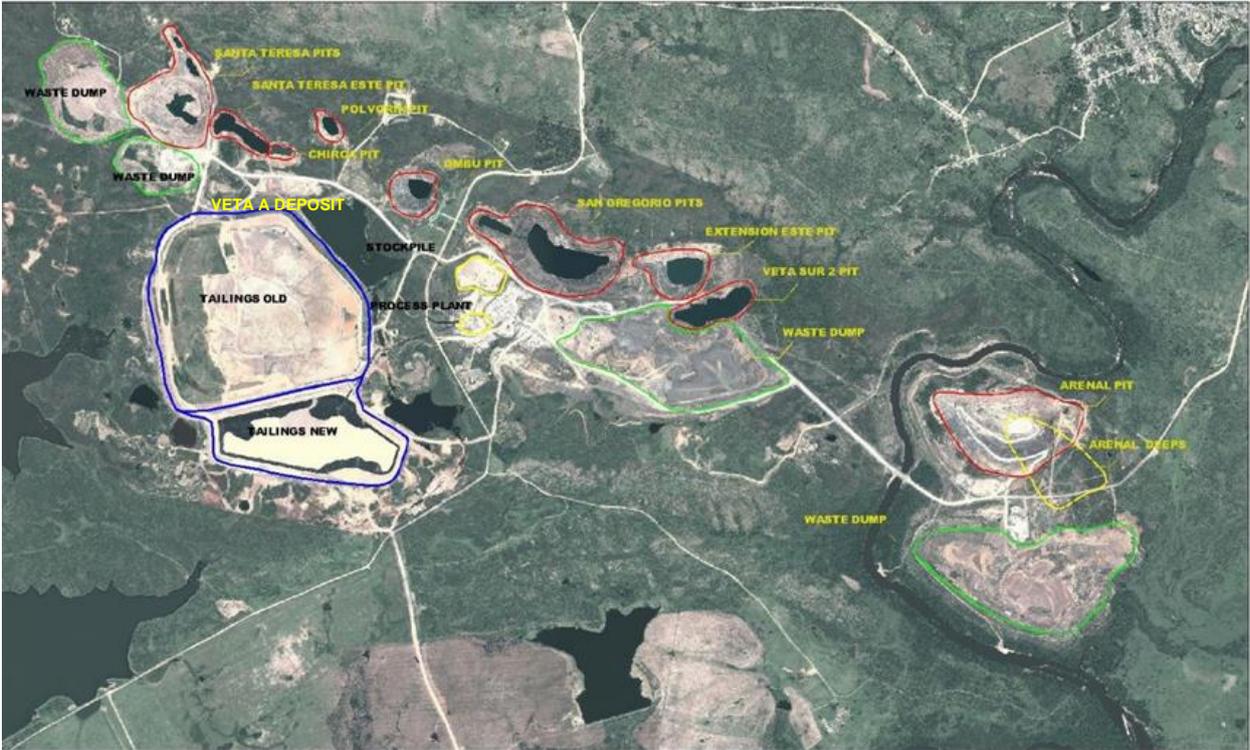
The production sources, processing plant, tailings storage facility and waste dumps can be seen in the aerial photograph below. During FY18, the Company mined Veta Rey, Santa Teresa, San Gregorio open pit sectors, as well, as SGW UG and Central undergrounds. The Company previously mined ore from the Arenal open pit and underground, the main San Gregorio open pit and extensions of the mineralization

along strike to the east and west. Low grade ore from the Santa Teresa stockpiles also provide an additional source of mill feed as a contingency stock.

The identification of the Veta A deposit represents the most likely source of future ore to be fed to the process plant. Funding, environmental permitting and further exploration would be required to proceed from current preliminary analysis and estimates.

Veta A is hosted by a Precambrian rocks basement towards the north east corner of the reclaimed tailings dam, to the southern part of the geological corridor of San Gregorio. Gold mineralization is controlled by a SW-NE shear zone and in some places shows some high-grade gold contents, greater than 3.5 g/t whereas the average grade tends to be around 2 g/t gold.

**Figure 5.1.2 - Map of San Gregorio Operations Area**



**5.1.3 Royalties and Agreements**

Effective November 14, 2011, the new legislation passed establishes a royalty of 5% on the sales value of the mineral. This rate is split between the State and the landowner in 3% and 2% respectively.

On December 4, 2015, the President of Uruguay granted Orosur a one-year exemption (covering the period from April 2015 to March 2016) on royalty payments to the Government, equivalent to 3% of sales.

On December 28, 2017, the President of Uruguay granted Orosur an exemption on the royalty payment to the Government (3% of sales). It covered the period from April 2017 to March 2018.

**5.1.4 Environmental Liabilities**

Uruguay mining legislation requires all mining licenses to be supported by guarantees for any environmental rehabilitation requirements and other damages resulting from exploration or mining activities. These guarantees are required to be posted by qualified financial institutions. The total guarantees only for San Gregorio exploitation licenses provided as at May 2018 were approximately US\$411,643 (Refer to Table 5-2).

**Table 5-2 DINAMIGE Guarantees**

Tenement ID	Tenement Name	Tenement Type	Company	Area (há)	GUARANTEE US\$	Expiration
462/89	San Gregorio / Main Pit (partial ANEP)	Exploitation	LORYSER	121	27,701	22/08/2018
634/90	Zapucay - Argentinita	Exploitation	GLENDORA	187	43,839	31/08/2018
514/92	Sta. Teresa- Polvorín-Chirca-Ombú	Exploitation	MINERA SAN GREGORIO	125	28,413	11/06/2020
285/93	San Gregorio Ext. Oeste / Main Pit	Exploitation	MINERA SAN GREGORIO	63	14,342	22/06/2018
823/93	Veta A/Veta Rey	Exploitation	DALVAN	293	66,556	18/01/2019
706/97	Sta. Teresa W / Sta. Teresa N / Sta. María	Exploitation	MINERA SAN GREGORIO	37	12,511	22/08/2019
69/04	Arenal	Exploitation	LORYSER	215	49,061	12/09/2018
1502/14	Laureles	Exploitation	MONTEMURA	87	22,954	13/11/2019
606/12	Perú	Exploration	GLENDORA	670	28,582	10/04/2020
1233/17	Sobresaliente W	Exploration	BRIMOL	51	5,187	21/09/2019
1915/12	New Australia	Exploration	GLENDORA	104	10,578	31/12/2018
2094/08	New Australia Medio	Exploration	GLENDORA	58	6,001	11/07/2018
2688/13	Pampas II	Exploration	LORYSER	163	16,580	09/04/2020
64/16	Pampas III	Exploration	LORYSER	78	7,934	31/01/2020
2691/13	Manto Verde	Exploration	LORYSER	281	28,582	09/04/2020
640/14	Don Tito	Exploration	BRIMOL	112	11,494	10/04/2020
2181/11	Zapucay W	Exploration	DALVAN	54	5,594	04/09/2019
1569/11	C° Papagayo	Exploration	BOLIR	82	8,341	21/01/2020
750/11	Mina Rica	Prospection	GLENDORA	2,050	17,393	18/11/2019
			<b>TOTAL</b>	<b>4,831</b>	<b>411,643</b>	

A site-wide decommissioning plan (the “Closure Plan”) has been produced and is updated and audited every year. The Closure Plan includes the establishment of all environmental liabilities with the corresponding costs.

Activities included in the Closure Plan are:

- Dismantling of treatment plant facilities
- Pit conditioning
- Re-vegetation of waste dumps
- Treatment of effluents containing cyanide
- Sealing of the Tailing Storage Facilities
- Post-closure monitoring

According to the latest update (May 2018), the Closure Plan costs are estimated to be US\$5.8M on an undiscounted basis. In developing the Closure Plan, a scenario of productive activity until 2021 and a 5-year post-closure monitoring is assumed. The Corporation presented to the government a guarantee for the rehabilitation plan of the TSF2 of US\$1.4M (Santander Bank (Uruguay) and a local Uruguayan insurance company) and a civil liability insurance policy including environmental risks of US\$5.0M (AIG).

The Company’s current site restoration liability in respect of its exploration activities is not material.

### **5.1.5 Permitting Status**

According to the Uruguayan regulatory framework, no environmental permits are required for a prospecting license. The application for exploration and exploitation licenses requires going through an Environmental Impact Assessment process and obtaining environmental authorization granted by the Ministry of Environment before commencing work.

The discharge of industrial effluents and waste management also requires an authorization granted by the Ministry Environment. Currently, there are no regulations other than those related to chemicals, or gas emissions.

All exploration projects and mineral deposits under exploitation, have the environmental authorization given by the Uruguayan Ministry of Environment. Deposits that are not yet under exploitation, have different degrees of advancement in the process of obtaining environmental permits, according to the corresponding legal framework. A summary of the historic and current situation for each project is presented in Table 5-3.

Some projects, like the development of the Argentinita Pit, including the temporary diversion of the Zapucay river, required two additional permits; one granted by the hydrologic resources regulator (National Direction of Hydrography) and another one granted by the Department of Forestry (Ministry of Agriculture, Livestock and Fishing) authorizing the riverside coppice modification. These permits were obtained simultaneously to the Previous Environmental Authorization processing.

The first tailings storage facility (“TSF1”) was constructed in stages, having been granted a global authorization at the beginning of the operation and partial authorizations for each expansion as well for its closure project. This tailings storage facility (“TSF1”) was closed and currently is in the post-closure stage.

In May 2011, the Environmental Authorities granted the authorization of a second tailings storage facility (TSF2), for which construction was projected in stages. Currently the fourth phase “a” is in operation and phase “b” of expansion has been completed and is awaiting environmental authorization which should be granted in approximately 3 months.

As the tailings storage facility is designed to operate on a zero-discharge principle, it is not expected that there will be any material discharges. Additionally, due to the composition of rocks, no acid drainage generation is expected. However, monitoring programs to check cyanides, sulfates, pH, nitrates and heavy metals levels are regularly undertaken.

### **Table 5-3 Environmental Permits Summary**

Project	Background	Current Status
Arenal Deeps	<p>Environmental approval for open pit mining operations at Arenal has been granted. To date, the “Arenal Mine” has passed the following projects through the assessment and approval to the Uruguayan Ministry of Environment:</p> <ul style="list-style-type: none"> <li>• Environmental impact study of Arenal Open Pit: environmental approval granted by Ministerial Resolution N° 502/2004.</li> <li>• Environmental impact study of Extension Arenal Open Pit, environmental approval granted by Ministerial Resolution N° 98/2007.</li> <li>• The underground mine is considered as a new step in “Arenal Mine” project. To support the underground plan, an updated EIA was performed for Arenal Deeps, which reviewed the existing and baseline data for hydrology, emissions, noise levels, flora and fauna, human and cultural impacts, and effects on the landscape.</li> <li>• Environmental approval was granted. (Resolution of the Ministry N° 179/2011).</li> <li>• An operational environmental audit was performed by an external international consultant and the Ministry of Environment.</li> <li>• Renewal of the Environmental Authorization. (Resolution of the Ministry N° 538/2014).</li> </ul>	<p>Work is currently underway on the closure and abandonment stage.</p>
Laureles	<p>This open pit project is located 18 km from main exploitation area of San Gregorio Project.</p>	<p>The Environmental Authorization was granted on October 2014. The closure project was finalized in August 2016</p>
Ombú	<p>This open pit is located between San Gregorio and Santa Teresa and forms part of the main exploitation area of San Gregorio Project. Environmental approval granted. (Resolution of the Ministry N° 1030/2009)</p>	<p>The exploitation finished and closure is pending.</p>
San Gregorio Deeps	<ul style="list-style-type: none"> <li>• This project is an important extension of “San Gregorio” open pit.</li> <li>• Environmental impact study of “San Gregorio” environmental approval granted by Ministerial Resolution N° 166/1996.</li> <li>• Environmental approval for underground project was granted. (Resolution of the Ministry N° 843/2015).</li> </ul>	<p>The Operating Environmental Authorization is valid for 3 years (until July 2018). The exploitation began in August 2016 and finished in July 2018, we are currently making the closure of the mine.</p>
Santa Teresa	<p>This project is an extension of “Santa Teresa” open pit. Environmental impact study of “Santa Teresa”: environmental approval granted by Ministerial Resolution N° 506/2001.</p>	<p>No new permit is required.</p>

Project	Background	Current Status
Zapucay-Argentinita	<p>This open pit project is located 30 km from main exploitation area of San Gregorio Project.</p> <p>Environmental approval for open pit mining operations in the north of the area has been granted (Ministerial Resolution N° 230/2003, 129/2004, 712/2004, 164/2006 y 190/09).</p> <p>The new project includes 4 new pits, two in the north and two in the south.</p> <p>Environmental approval granted. (Resolution of the Ministry N° 988/2010).</p> <p>Renewal of the Environmental Authorization. (Resolution of the Ministry N° 1525/2014).</p>	<p>The project is currently in stand by waiting for new exploration works.</p> <p>The closure plan is ongoing.</p>
Vaca Muerta	<p>This open pit project is located 85 km from main exploitation area of San Gregorio Project.</p> <p>Environmental approval granted. (Resolution of the Ministry N° 1292/2013)</p>	<p>The exploitation ended in December 2014. The closure project was finalized in September 2016.</p>
Picaflor	<p>This open pit project is located 4 km from main exploitation area of San Gregorio Project.</p> <p>Environmental approval granted. (Resolution of the Ministry N° 374/2014)</p>	<p>The exploitation ended in April 2016. The closure project was finalized in October 2016.</p>
Castrillón & Sobresaliente	<p>These open pit projects are located 6 km from main exploitation area of San Gregorio Project.</p> <p>Environmental approval granted. (Resolutions of the Ministry N° 287/2004 and 286/2004, for Castrillón and Sobresaliente respectively).</p> <p>A permit is currently being applied for the expansion of the Sobresaliente mine.</p>	<p>In Castrillon, both operation and closure have been finished.</p> <p>Sobresaliente is currently under operation.</p>
Veta A	<p>This open pit is located within the main exploitation area of San Gregorio Project, south of TSF1.</p> <p>Environmental approval granted. (Resolution of the Ministry N° 322/2007)</p>	<p>Exploitation of this project has ended. The closure has been finished.</p>
Veta A Underground	<p>This project is located under the N-W corner of the reclaimed tailings dam (TSF1).</p>	<p>In March of 2018 was presented to the Dinama the project communication (CDP)</p>
Veta Sur	<p>This project is a small extension of “Extensión Este” open pit.</p> <p>Environmental approval of Environmental impact study of “San Gregorio” and “Extensión Este” was granted by Ministerial Resolution N° 166/1996.</p>	<p>No new permit is required.</p>
Veta Rey	<p>This open pit is located within the main exploitation area of San Gregorio Project, west of TSF.</p> <p>Environmental approval granted. (Resolution of the Ministry N° 1146/2014).</p> <p>Environmental permit for an extension was granted (Resolution of the Ministry N° 1285/2015).</p> <p>Environmental permit for a new extension was granted (Resolution of the Ministry N° 1118/2017).</p>	<p>The project is in operation.</p>
Crucera	<p>This open pit project is located 400 km from main exploitation area of San Gregorio Project.</p> <p>Environmental approval granted. (Resolution of the Ministry N° 547/2010)</p>	<p>The project is currently in stand by waiting for new exploration works.</p>

Project	Background	Current Status
	Environmental approval for operations granted- (Resolution of the Environmental Ministry No. 42/2013)	The closure plan was finished.
Peru	This open pit project is located 11 km from main exploitation area of San Gregorio Project. Environmental approval granted. (Resolution of the Ministry N° 1002/2017).	The beginning of exploitation is currently being planned.
Muro	This open pit is located within the main exploitation area of San Gregorio Project, east of Santa Teresa.	Environmental permit is in process.
Tailings Storage Facility	The San Gregorio project has a tailings storage facility (TSF1), currently in the post-closure stage and a new TSF ("TSF 2") which phase 4b was finished in March 2018. For the TSF1 the environmental permit was granted as an integral part of the San Gregorio project (Ministerial Resolution N° 166/1996). Partial authorizations on each expansion were granted as well for its closure. The global authorization of the TSF 2 was granted in May 2011 (Ministerial Resolution No. 442/2011).	Currently the fourth B phase of expansion is being operated, and waiting the environmental authorization of operation

#### 5.1.6 Accessibility, Climate, Local Resources, Infrastructure and Physiography

##### Project Access

SGGP is easily accessed by paved road from Montevideo, about 450 km to the south or by commercial air flights from Montevideo to Tacuarembó, some 79 km from the project. The principal towns in the region are Tacuarembó, Rivera with the small township of Minas de Corrales located 4 km on a well-maintained gravel road from SGGP.

From Montevideo, the project can be reached by travelling 426 km to the north along route 5 (main paved highway) to route 29 (secondary paved route), then turning east on route 29 and travelling 21 km, then turning south on a gravel road and travelling 3.6 km until getting to the process plant; from that point, the Arenal pit can be reached travelling 2.5 km east along an internal road and cross the Corrales River.

##### Physiography and Climate

The San Gregorio area comprises gently rolling grasslands divided by broad river valleys. The regional elevation varies between 100 to 350m above sea level. The grasslands are extensively farmed, primarily for beef, but also for timber and various cereal crops.

The regional climatic profile is temperate and no pronounced wet-season exists. Average annual rainfall for the period 1931 to 2004 was 1,318 mm. Data from 1996 to 2010 indicate an average annual rainfall of 1,466 mm, a minimum monthly precipitation of 4 mm (July 1997), and a maximum of 614 mm (November 2009). The lowest annual rainfall was 823 mm in 2006, and the highest was 2,553 mm in 2002. The average annual evaporation rate for the period 1931 to 2004 was 1,250 mm and 1,513 mm for the period 1999 to 2010.

The highest average daily maximum temperature is 34°C for the month of January, and the lowest is 18°C for the month of June. The highest average daily minimum temperature on record is 19°C for January, February and March and the lowest is 6°C for June.

The wind direction is predominantly from the east (58% of the time) and from the east-northeast (30% of the time).

Historically, climatic extremes have resulted in moderate flooding which has impacted the immediate areas adjacent to existing waterways. Such flooding has caused temporary closure of low-lying road sections for several days. These conditions pose no significant risk to mining operations.

As part of the diversion of the Arroyo Corrales River, two flood protection dykes were constructed. These dykes have been built to protect the Arenal open pit, and underground operation, against an estimated 1 in 1,000-year flood event.

Exploration and mining can be conducted year-round.

### **Local Resources and Infrastructure**

The project area is not remote or isolated, and local infrastructure is relatively good.

The local road system is very good, with paved roads between regional centres and the township of Minas de Corrales. Power is generated by hydro-electric and fuel oil and the national reticulation system is extensive and is relatively reliable. The SGGP is serviced with a 150-kV high tension power line of the national grid.

Cellular telephone connection is available throughout most of the country, including the Minas de Corrales area. Optic fibre connection is also reticulated to the SGGP.

Minas de Corrales is a small town that provides basic services. More sophisticated services can be obtained at Tacuarembó and at Rivera, approximately 70 km and 110 km respectively from Minas de Corrales. Both of these cities have small airports with paved airstrips.

Process water for the existing operations is sourced from a fresh water dam adjacent to the San Gregorio process plant and from recycled tailings water. During extended periods of low rainfall and high evaporation, sufficient quantities of water are available from inoperative open pits. Currently, the SGGP has water in excess of requirements for the foreseeable future.

After more than 15 years of continuing operations, the mining personnel required to run the business have been developed with trained Uruguayan operators composing the majority of the workforce. San Gregorio is the most significant employer in the Minas de Corrales area, which makes it a competitive party in terms of attracting new people. One exception is for attracting new employees for management and operating positions for new areas, such as the developing underground mining activities. In this instance, such as at the beginning of the underground mining activities, the Corporation was required to hire expatriates for key positions and had to compete with the Latin American market to attract personnel to work in Uruguay. The Corporation has been reasonably successful in doing so; especially from nearby countries like Argentina, Chile and Brazil, and maintains human resources policies to offer competitive salaries. In parallel, the Corporation continues its training programs to develop and promote local employees.

#### **5.1.7 History of San Gregorio**

The Spanish first mined for gold in the region during the 1770's. The British operated gold mines in the Minas de Corrales area from about 1910 to 1914, utilizing a hydro-electric plant constructed by the French in the 1870's to support gold mining in the region. The French also built a treatment plant at the same site on the Rio Cuñapiru and constructed an aerial tramway to transport ore to the plant. Total production to 1914 is estimated at approximately 90,000 oz of gold.

The San Gregorio deposit was held by American Resource Corporation prior to Rea Gold Inc. ("Rea") acquiring the project. Rea commissioned Minproc to construct the process plant, which was in operation by January 1997, treating ore from the main San Gregorio open pit. Rea experienced operational difficulties at its North American operations and sold the SGGP to Crystallex International Corporation Inc. ("Crystallex") in 1998. Crystallex held the property for five years. They focused their work on the expansion of the San Gregorio and Santa Teresa deposits because they were very limited in their land tenement holdings with OMI holding all the surrounding area. Crystallex partially drilled the mineralization on the San Gregorio eastern extension during their tenure.

OMI has been operating in Uruguay since 1996, and has compiled an extensive country wide database using information from previous explorers. OMI staked approximately 65,000 hectares of exploration ground adjacent to the Crystallex mining operation and along the strike of the Rivera Shear.

In 2003, OMI acquired the mineral assets of Crystallex in Uruguay, including the San Gregorio open pit mines and the ore treatment plant at Minas de Corrales. Since that time, OMI has been undertaking extensive drilling activities and has delineated multiple sources of mill feed from the San Gregorio, Ombú, Zapucay, Arenal, Castrillón, Crucera and Sobresaliente deposits.

During FY16, OMI mined the Laureles, Argenitinita, Veta Rey, Picaflor, Vetas, Zapucay and San Gregorio open pits as well as Arenal Deeps underground. OMI has previously mined ore from the Arenal open pit, the main San Gregorio open pit and extensions of the mineralization along strike to the east and west.

During FY17, the Company mined the Veta Rey, Santa Teresa, Chirca, and San Gregorio open pits as well as Arenal Deeps and SGW UG undergrounds.

During FY18, the Company mined the Veta Rey, Muro, Peru, Santa Teresa Oeste and Sobresaliente south open pits as well as San Gregorio West and Central UG undergrounds. Another strategic source of plant feed was low grade ore from Santa Teresa Stockpiles.

### **5.1.8 Geological Setting**

#### *6 Regional Geology*

The SGGP is located within the Proterozoic greenstone/granite terrain known as the Isla Cristalina. Gold mineralization within the Isla Cristalina is spatially associated with the Rivera Shear, a regional east-west and northwest trending ductile/brittle-ductile shear zone that can be traced for approximately 110 km along strike. Most of the known economic gold mineralization is located in the western portion of this belt. The deposits associated with the SGGP are hosted in low to moderate dipping thrust faults which define the San Gregorio Fault System ("SGFS"). The known deposits occur at distinct flexures and changes of strike along the fault zone from east-west to northwest.

A number of geochemical and geophysical anomalies and exploration targets occur along the strike length of the SGFS. OMI has tenement holdings along the entire strike extent of the Rivera Shear.

The rocks within the Isla Cristalina have been metamorphosed to granulite facies within the basement volcanogenic sequence, while amphibolites facies and greenschist facies affect to basic later intrusions and overlying sediments respectively. The thrust system is characterised by extensive ductile to brittle ductile deformation with well-developed mylonites, with a Brazilian age.

In general, the Rivera Shear forms the contact between predominantly younger granitic terrain to the north and an older sequence of basement granulite and gneissic rocks which are unconformably overlain by a sequence of mafic and felsic volcanic and sedimentary units intruded by later granitic rocks to the south.

#### *Local Geology*

The historic mining district of Minas de Corrales forms the western third of the Isla Cristalina granite-greenstone belt and hosts OMI's main operation – the San Gregorio mine complex and gold processing facility. The Minas de Corrales district hosts three significant mining centers – San Gregorio, Zapucay, 29 km to the east of the plant facility and Sobresaliente, 6 km to the north. A number of additional deposits and prospects are currently in the pipeline for mining and continued exploration in this district.

In the deposits of the San Gregorio mine area, in particular Santa Teresa, San Gregorio, and Arenal, gold mineralization is generally related to an east-trending brittle-ductile fault zone – the San Gregorio Fault System ("SGFS"). The SGFS dips to the south at a moderate to steep angle, is upwards of 100m wide, and is typically well constrained by hanging wall and footwall structures. In the case of the Arenal deposit, the hanging wall and footwall structures are mapped as discrete faults locally called H1 and F1, respectively. Within the fault zone, gold mineralization clearly rakes across the structure and plunges to the southeast, while sintetic (R1) and antitetic (R2) faults display an important role in secondary order mineralization along the SGFS. The rake appears to be controlled by sub-vertical, northwest-oriented fracturing, which commonly displays dextral offset.

## Property Geology

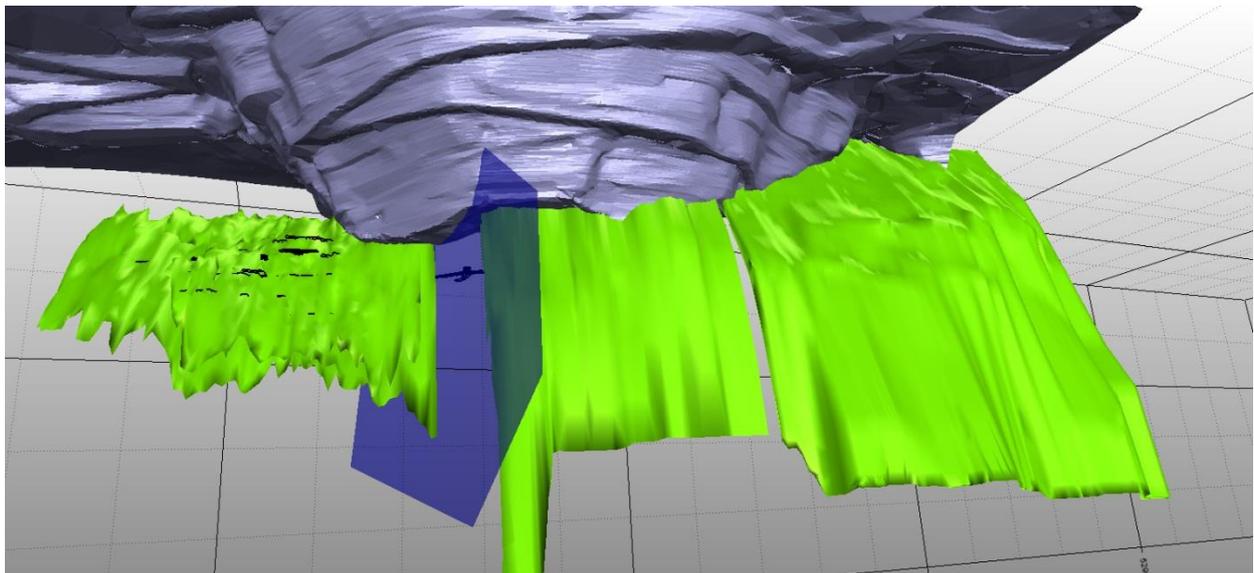
At the San Gregorio deposit, gold mineralization was deposited along a moderately to steeply south-dipping, east-striking shear zone hosted in Proterozoic granite, monzonite, and diorite rocks that have been metamorphosed to amphibolite facies. The altered shear zone is up to 100m wide and is generally composed of silica-sericite-carbonate-pyrite alteration and strongly deformed rocks, including abundant breccias in the footwall.

Gold mineralization at Minas de Corrales consists of epigenetic mesothermal style mineralization. In the Main San Gregorio pit, mineralization is associated with shear zone mylonites and occurs within zones of intense silicification, brittle fracture, and quartz veining, generally at the contact between hanging wall felsic and footwall mafic igneous rocks. A relatively high-grade ore shoot has been defined at the base of the main San Gregorio open pit. The shoot plunges to the west-southwest below the current base of the main San Gregorio open pit at its western end, below the San Gregorio West Extension open pit.

The most consistent mineralization at San Gregorio occurs in a roughly tabular zone that, in general, strikes east-west and dips moderately to steeply southward. The zone seems to steepen and narrow with depth. The mineralized zone is commonly bounded by a footwall structure referred to as "F1"; instead of a distinct hanging-wall structure, the upper contact of the San Gregorio mineralized zone is a gradational boundary characterized by an increase in pyrite and quartz  $\pm$  carbonate veinlets moving into the mineralized zone. The best mineralization is usually marked by several percent of finely crystalline pyrite and multiple generations of cross-cutting quartz  $\pm$  carbonate veinlets.

### Figure 5.1.8 Schematic isometric view of the San Gregorio Pit and San Gregorio UG Mineralization

(View to the North; gray- topography with pit; blue – NW fault; green-ore body under the Pit)



#### 5.1.9 Exploration

##### Exploration by Previous Owners

Regional airborne geophysical surveys were flown over the area by Rea in 1996, resulting in aeromagnetic and radiometric data was acquired by OMI when it purchased the Crystallex subsidiary that operated San Gregorio and performed regional exploration. The surveys were carried out at a line spacing of 200m, and the data are semi-regional in nature.

A number of soil sampling grids have been established at various locations along the SGFS by previous operators.

Crystallex partially drilled the San Gregorio eastern extension mineralization.

## **Exploration by Current Owners**

OMI has undertaken a number of soil sampling programs along the SGFS in an effort to infill and confirm previous soil anomalies and to test other structural and geophysical targets.

The current exploration program in the project area is comprised of multi-geoscientific disciplines with focus on quality control and quality assurance to maintain best industry standards.

An increase of in-house exploration expertise is being complemented with external consulting experts. Geochemical investigation of soils and outcrops, field mapping, structural mapping on regional and local bases, trenching, RC drilling and diamond core (DC) drilling.

OMI personnel conduct all geochemical investigations, geological mapping and trenching. Structural interpretation from aerial photography has been performed by Michael Baker, Geological Consultant, and structural appraisal on the ground has been conducted by Holcombe Coughlin & Associates as well as Telluris Consulting.

Exploration and resource drilling by Orosur comprises a combination of RC, core drilling ("DDH") and shallow drilling with RAB and/or Pantera Tamrock drills. Currently, RC and DDH drilling is outsourced to a contractor and DDH and Tamrock Pantera drilling are performed with equipment owned by the Corporation (three drilling machines).

## **Exploration Data Collection**

Drill hole collars for mineral resources are surveyed by the OMI mine surveyors with total stations and real time GPS instruments, topographic plans and aerial photographs provide adequate location control during more regional exploration. OMI performs appropriate downhole surveying in all DC holes and most part of the RC drilled metres.

OMI has introduced routine bulk density determinations in accordance with exploration priorities and requirements. Only limited laboratory-based determinations have been performed for the disclosed mineral reserves due to the wealth of historical production data which indicates good reconciliation with estimates. Bulk density test work for the SGGP has been performed by Cientec Laboratories Brazil in 1999 and 2004 with 83 and 65 samples being evaluated. The results of these determinations continue to provide an appropriate basis for production purposes.

Independent reviews by RSG Global (August 2005), Mine Development Associates (November 2006 and September 2007) and Golder Associates (April 2006, September 2007 and January 2009) found OMI's geological and logging of RC chips and of DC to be adequate and that the logs contain sufficient geological and sampling information. Current geological and geotechnical data collection is based on oriented DC. DC orientation is completed with the Reflex ACT system™. Golder audited the geotechnical logging procedure and data collected, making adjustments, where required.

Exploration data, including drilling data, were manually entered into Century System™ worksheets from the hard copy logs, sample lists and tags and other paper formats used in the field. The drilling database contains industry standard information, including rock lithology, alteration and mineralogy, weathering, assay data, core recovery, collar coordinates and down hole survey data. OMI currently uses Century System™ as the preferred database management software with links to Micromine™ and Gencom™ software for resource estimation and mine planning purposes, with appropriate links to Whittle 4D™ open pit optimisation software.

The projects have generated a large amount of data during its operational history, including a number of resource estimates and pit optimisations. Historical data has been entered into the current database management systems ensuring that all information is available for operational and exploration purposes. Appropriate Quality Assurance and Quality Control procedures are applied to the database management systems.

## **Exploration Results**

Results from exploration programmes and the interpretation of those results are periodically reported in OMI's MD&As, Technical Reports and other releases. All documents are available on the SEDAR website ([www.sedar.com](http://www.sedar.com)), and also in the web site of the Corporation ([www.orosur.ca](http://www.orosur.ca)).

#### **5.1.10 Mineralization**

The deposits located along the east-west to northwest trending SGFS are, from west to east, the Santa Teresa deposits, the Polvorín deposit, the Ombú deposit, the San Gregorio deposit and the Arenal deposit. Zapucay and Argentinita deposits lie along the extension of the one-fold and thrust fault system to the east, with similar age of SGFS.

Gold mineralization at SGGP has occurred as infill of brittle fractures within favourable host rocks such as zones of silicification and mafic units. Brittle fracture has occurred within these zones in response to local extensional tectonics created by the intersection of different trending faults, faults with dikes and changes in the attitude of the fault itself. Intense brittle fracture, silicification and quartz veining are apparent in higher grade zones. At least 3 phases of fracturing and veining can be recognised from drill core.

The gold deposits are generally hosted within basement granulite and amphibolite facies within the upper plate of a large thrust fault that defines the contact with the younger granites to the north. Pyrite is the dominant sulphide, and gold grade is directly proportional to the pyrite content. The gold at all deposits is fine, and visible gold is rare. Other potentially deleterious elements are in low concentrations.

The northeast trend to the mineralization is apparent within the granites to the north of the main thrust, where the Sobresaliente and Castrillón deposits are located. These deposits are approximately 5 km and 7 km north of the San Gregorio mine site respectively.

#### **5.1.11 Drilling**

##### **Drilling by Previous Owners**

Drilling by Crystallex was by a combination of RC and DC drilling methods. No quality assurance information regarding the Crystallex drilling is readily available, however it appears to have been undertaken to expected industry standards. In the case of San Gregorio, good data reconciliation between Crystallex's drill holes and ore control during production supports the incorporation of its data with that of OMI.

##### **Drilling by Current Owners**

Exploration and resource drilling by Orosur comprises primary of a combination of RC and core drilling methods (excluding shallow scout drilling of surficial mineralization). The proportion of each method is determined by the availability of drill rigs, the type of information sought, the specific area of the deposit being drilled and the stage of resource definition of the deposit. Historically, the ratio RC to DC is 3:1.

As mineral deposits are delineated, drill holes are designed to cut as close to perpendicularly to the known or estimated mineralized feature being investigated. Normally this is a vein and or structure. Obviously, practicalities of total drill hole depth and workable drill hole angle lead to variations from true perpendicular intersections. This is appropriately managed by industry standard use of cross sections, three-dimensional geological software interpretation, evaluation and resource modelling.

Normal practice at the SGGP has been to drill deposits for reserve definition on 25m sections along strike. Nominal drill spacing down dip is 25m at least to a depth of 200m and then at 50m spacing. Grids on exploration drilling are normally 100m by 100m to 50m by 50m spacing.

Use of RC pre-collars has been put into practice for deeper ore intersections of >150m or on narrow vein mineralization to cut costs and speed up the resource delineation process. Pre-collars are drilled with RC rigs and later entered and completed with a DC drilling.

DC is orientated with Reflex ACT™ instrument wherever possible. Core is drilled at diameters of NQ and HQ, 47.6 and 63.5 mm respectively, with a preference for HQ due to the larger sample. RC drilling utilises conventional and face sampling hammers with a diameter range of 4.75 to 5.5 inches. Both RC and DC holes' case the overburden with 6-inch steel pipe while drilling and later leave PVC pipe to mark the collar

and attempt to leave the hole open until a program has been finalized at which point a cement “block” is placed on the collar to seal and mark the hole. Relevant hole identification data are written on the PVC pipe and later on the cement block.

Drilling completed from September 1, 2013 to May 31, 2014:

RC:	119 holes (7,241m)
DD:	58 holes (6,815m)
Precollars:	0 holes (0.0m)
Rab:	27 holes (549m)
<b>Total:</b>	<b>204 holes (14,605m)</b>

Drilling completed from June 1, 2014 to May 31, 2015:

RC:	119 holes (4,998m)
DD:	100 holes (9,093m)
Combined RC/DD:	8 holes (1,731m)
RAB:	7 holes (141m)
Tamrock Pantera:	2,022 holes (26,127m)
<b>Total:</b>	<b>2,256 holes (42,090m)</b>

Drilling completed from June 1, 2015 to May 31, 2016:

RC:	47 holes (2,115m)
DD:	43 holes (3,879m)
Tamrock Pantera:	561 holes (4,208m)
<b>Total:</b>	<b>651 holes (10,201m)</b>

Drilling completed from June 1, 2016 to May 31, 2017:

RC:	104 holes (5,170m)
DD:	110 holes (14,293m)
Tamrock Pantera:	299 holes (4,220m)
<b>Total:</b>	<b>513 holes (23,683m)</b>

Drilling completed from June 1, 2017 to May 31, 2018:

RC:	222 holes (11,406m)
DD:	87 holes (8,237m)
RAB:	37 holes (735m)
<b>Total:</b>	<b>345 holes (20,378m)</b>

## Sampling Method

DC sampling approximately averages 1m in length but not less than 0.3m and not more than 2m in length and is defined by geological features and especially mineralization. Half core is sent for assay following cutting of the core lengthways using a diamond saw perpendicular to the main mineralizing fabric. The DC sampling is considered conventional and appropriate.

RC sampling is undertaken using 1m lengths. The dry sample intervals are weighed in the field and then split using a Gilson™ splitter to a nominal weight of 3-5kg, which is sent to the laboratory for preparation and assay. All wet samples are split using a hydraulic wet splitter and collected in micropore bags. The remaining sample material is left at the drill site in marked bags until the chemical analysis has been completed and the data has past the Quality Assurance / Quality Control (“QA/QC”) validation process.

Independent reviewers have determined that RC sampling methods adopted by Orosur are appropriate and are being undertaken to accepted industry standards. Orosur notes that wet RC sampling can be problematic and may result in unreliable assays. Historically, limited twinned RC and DC holes over known wet intersections have demonstrated reasonable agreement. During October 2012, Magri Consultores performed an audit on sampling and QA/QC procedures at San Gregorio, satisfactory results were obtained from this audit and corrections were made were necessary. The audit was supplemented with a sampling and QA/QC seminar for the team of geologists.

## Sample Preparation and Analysis

Sample preparation and analyses are undertaken at an on-site laboratory owned by Orosur and operated by Orosur laboratory personnel, using conventional and appropriate methods. The laboratory is treating approximately 300 samples and completing 500 assays per day. The laboratory handles grade control samples, environmental samples and all metallurgical samples, in addition to the exploration and resource drill samples. The exploration samples are run at different times than the production samples and fired in separate ovens. Samples are received and dried in electric ovens prior to crushing in a jaw crusher to P85 10#. The crushed samples are split to approximately 1kg prior to pulverising. Coarse rejects are stored for approximately 1 month and then discarded. The samples are milled in a Labtech Essa LM2 to a particle size of P95 200# (75µm), and the resulting pulp is split to produce a final pulp for assay of approximately 100g. The remaining pulp material is stored on site in an appropriate facility.

Gold analyses are undertaken by conventional fire assay methods using a 30g charge, which is weighed on an electric balance. The pulp charge is mixed with flux in the fire pot and fired in a gas furnace at 1,000°C for 1 hour, followed by cupellation in a gas cupellation furnace, also set at 1,000°C for 1 hour. The resulting prill is digested in dilute hydrochloric and nitric acid over a hot plate prior to final analyses for gold and silver using three ICE3000 Series AA Thermo Scientific atomic absorption spectrography (“AAS”) machines.

A separate room is used for gravimetric analyses as a check on high grade AAS results from operations.

### **Quality Assurance and Quality Control (“QA/QC”) Procedures**

The Company routinely submits duplicate, blanks and standard reference samples to the laboratory with the drill samples.

RC field duplicates, comprising a second sample split made at the drill rig, are collected at a frequency of 1 in 15 and submitted to the laboratory sequentially with the original sample batch. DC duplicates, comprising of half core, are taken at a frequency of 1 in 40.

Blank material sourced from a local quarry is submitted at a frequency of 1 in 20 samples.

Three internal OMI standards are inserted into the sample stream at a frequency of 1 in 40. Also, three standards of CDN Resource Laboratories Ltd and one standard of Rocklab™ are used randomly and inserted into the sample stream in place of the internal standards as a further check of laboratory accuracy. The quality control samples are closely monitored and any batch containing a failed QA/QC sample is re-assayed.

The laboratory quality control procedures include duplicate assays of a second 100g pulp split undertaken at a nominal frequency of 1 in 20 (pulp duplicates), and second splits made following primary crushing at a frequency of 1 in 10 (preparation duplicates). A barren quartz sand wash is passed through the ring mills between each sample and all crushing, milling, weighing and splitting equipment are cleaned thoroughly with compressed air. The laboratory also includes a blank and 3 standard reference samples material of Rocklab™ to monitor accuracy on a daily basis, and a single blank is inserted into each batch.

The AAS machines are calibrated every time they are turned on using gold solution standards. The electric balances are calibrated daily and serviced monthly. The plastic acid dispensers are checked daily and replaced after 6 to 8 months.

Check assays on pulps are routinely performed at the independent external laboratories of Alfred Knight in Lima, Peru and ACME in Santiago, Chile. All these laboratories are certified to international standards.

The Laboratory participates in the Geostat Survey of International Laboratories twice a year, which is a tool that allows to maintain high standards comparable with other mining laboratories worldwide

The following is an excerpt of Section 4.3 of Golder Associates’ internal report to the Company entitled “Resource Estimation Update for the San Gregorio Deposit, Uruguay” dated August 2007.

*It is considered that the laboratory’s internal quality control procedures are industry standard and appropriate.*

*Golder considers that although precision levels could be improved, for this type of gold deposit the assay data available have acceptable levels of precision for the purpose of resource estimation.*

More recently, as referenced in the Technical Report, it was noted in the Smee and Associates Consulting Ltd.'s internal report entitled "A Review of Control Data, Arenal Project Drilling, San Gregorio Mine, Uruguay, February 2010":

*The Arenal project has had a program of analytical and sampling quality control in place for the current resource drilling program that meets or exceeds the requirements of NI 43-101.*

The authors of the Technical Report concur with previous opinions that the analytical data are suitable for use in NI 43-101 compliant resource estimation.

### **Data Verification**

The initial recording of all data is generally in hardcopy on formats prepared for the type of information being collected. The second phase of data recording is the manual transferral from hardcopy to Century System™. Various validations and checks exist in Century System that will not allow the entry of erroneous data. The importation of all geochemical results is controlled by queries set up in Access™, eliminating any "copy and paste" errors. An automatic link exists between Access™ and Micromine™, again eliminating any "copy and paste" error.

Data verification is performed in many ways, including visual checks of the results by geologists, validation checks in Micromine™ and engineers using computer software and hardcopy printouts during geological interpretation, geostatistical evaluation and geological model interpolation.

### **Security of Sample**

Transport of core boxes to the core shed is done by *Corporation* personnel managing the drill program or by the drilling supervisor. Core-handling logs are completed that include details for all persons involved in any step during the logging and sampling procedures.

Samples are always attended or locked at the core shack or laboratory. Chain of custody procedures consist of filling out sample submittal forms that are sent to the laboratory with sample shipments to make certain that all samples are received by the laboratory.

Half-cores are stored on site in a core storage warehouse. Pulps and coarse rejects are also stored on site. Field coarse rejects with gold values greater than 400ppb are kept and stored in the core storage warehouse.

Core rejects from laboratory preparation are stored for three months. Samples are discarded after that period of time. All of the pulps are stored in boxes according to the sample batch. These are stored at the core storage warehouse indefinitely.

Different user permissions have been set up in Century System to reduce the possibility of data errors/deletion/manipulation. To minimize the impact of erroneous data, efforts are made to limit data storage to single source files with limited personnel having access to them. Whenever errors are encountered, they are corrected on the source files. Appropriate automatic computer back-ups are performed of all source files.

### **5.1.12 Mineral Resource and Mineral Reserve Estimates**

The following is an update of The Company's mineral resources and mineral reserves as of May 31, 2018 (see tables below). These mineral resources and mineral reserves, as well as the terms used in this disclosure, are fully compliant with NI 43-101 requirements and CIM Definition Standards. All open pit mineral resources are quoted at a cut off of 0.5 g/t Au. Mineral reserves are quoted at variable cut-off grades, as shown on Table 5-6.

All mineral reserves have factors for dilution and mining recovery applied.

Mineral resources and mineral reserves at the SGGP are largely affected by gold price and operating costs. The effect of this on mineral reserves had a positive impact during this period, caused by the recent gold price and a subsequent re-evaluation for an US\$1,250/oz scenario, except for Veta Sur UG, evaluated at US\$1,500oz.

San Gregorio has a long production history treating ores sourced from a variety of deposit types in the area. As a consequence, the metallurgical response is well understood and no future adverse effect on mineral resources and mineral reserves is anticipated from it.

As of May 31, 2018, measured and indicated resources in Uruguay totaled 508,288 oz of gold at an average grade of 1.38 g/t Au. and total Proven and Probable Reserves stand at 96,286 oz gold at an average grade of 1.42 g/t Au (at variable cut-off grades as dictated by the economics of each individual deposit).

**Table 5-5 Mineral Resources at Orosur's San Gregorio Project**

Deposit	QP	Notes	cut off (gt/Au)	Measured Resources			Indicated Resources			Total Measured and Indicated			Inferred Resources		
				Tonnes	Grade (gt/Au)	Contained Ounces	Tonnes	Grade (gt/Au)	Contained Ounces	Tonnes	Grade (gt/Au)	Contained Ounces	Tonnes	Grade (gt/Au)	Contained Ounces
Arenal	OMI		1.53	550,764	3.37	60	149	2.77	13	700	3.24	73	15	2.57	1,230
San Gregorio	OMI		0.50				4,767,196	1.29	198	4,767,196	1.29	198	932,790	1.17	35
Argentinita	MDA		0.50	342,096	1.45	15,926	1,251,052	1.36	54,702	1,593,148	1.38	70,628	256,334	1.12	9,263
Zapucay	OMI		0.47	16,366	1.25	658				16,366	1.25	658			
Ombú	OMI		0.50				106,002	1.51	5,160	106,002	1.51	5,160	1,773	4.31	246
Veta A	OMI		0.60	34,136	2.62	2,875	364,700	2.76	32,344	398,836	2.75	35,241	138,950	2.67	11,929
Veta Sur	OMI		0.50	38,330	1.53	1,889	78,729	1.76	4,460	117,059	1.69	6,349	73,944	1.52	3,618
Sobresaliente	OMI		0.50	76,815	1.30	3,218	1,523,391	1.00	48,781	1,600,207	1.01	51,999	297,610	0.89	8,477
Vaca Muerta	OMI		0.50	142,366	0.93	4,234	166,127	0.97	5,170	308,493	0.95	9,404	22,222	0.97	693
Laureles	OMI		0.50	239,904	1.05	8,060	365,098	0.95	11,140	605,002	0.99	19,200	236,694	0.93	7,070
Perú	OMI		0.50	13,251	5.83	2,486	149,414	1.55	7,469	162,665	1.90	9,955	109,007	1.38	4,838
Santa Teresa	OMI		0.50	469,764	0.85	12,863	562,621	0.84	15,155	1,032,385	0.84	28,017	114,800	0.83	3,070
Santa María	OMI		0.50	2,000	2.83	182	39,472	0.67	850	41,472	0.77	1,032	70,758	0.75	1,697
<b>Total</b>				<b>1,925,792</b>	<b>1.81</b>	<b>112,072</b>	<b>9,522,625</b>	<b>1.29</b>	<b>396,203</b>	<b>11,448,417</b>	<b>1.38</b>	<b>508,288</b>	<b>2,269,769</b>	<b>1.20</b>	<b>87,219</b>

Note: Mineral resources are not mineral reserves and do not have demonstrated economic viability

**Table 5-6 Mineral Reserves at Orosur's San Gregorio Project**

Deposit	QP	Notes	cut off (gt/Au)	Proven Reserves			Probable Reserves			Total Proven and Probable		
				Tonnes	Grade (gt/Au)	Contained Ounces	Tonnes	Grade (gt/Au)	Contained Ounces	Tonnes	Grade (gt/Au)	Contained Ounces
<b>Undeclared Reserves</b>												
San Gregorio	OMI		1.49	58,189	1.36	2,538	280,246	1.56	14,057	338,435	1.53	16,595
Argentinita UG	MDA		1.62				378,487	2.24	27,261	378,487	2.24	27,261
Veta A	OMI		1.71	5,477	3.19	562	184,436	2.13	12,632	189,913	2.16	13,194
Veta Sur	OMI		1.15				380,000	1.23	15,029	380,000	1.23	15,029
<b>Open Pit Reserves</b>												
SG Ext. Este	OMI		0.42	178,805	1.23	7,072	120,911	1.19	4,626	299,716	1.21	11,698
Sobresaliente	OMI		0.40				112,600	1.28	4,634	112,600	1.28	4,634
Santa María	OMI		0.50				121,037	0.82	3,191	121,037	0.82	3,191
Stockpiles - High	OMI			17,691	2.02	1,149				17,691	2.02	1,149
Stockpiles - Medium	OMI			31,199	0.89	893				31,199	0.89	893
Sotocpiles - Low	OMI			241,660	0.34	2,642				241,660	0.34	2,642
<b>Total</b>				<b>533,021</b>	<b>0.87</b>	<b>14,855</b>	<b>1,577,717</b>	<b>1.61</b>	<b>81,431</b>	<b>2,110,738</b>	<b>1.42</b>	<b>96,286</b>

**General Notes:**

Totals may not be exact due to rounding  
 Mineral Reserves are completely within the stated Mineral Resources with mining factors applied.  
 Mineral Reserves are in situ as at May 31, 2018  
 Mineral Resources are current as at May 31, 2018

Qualified Person (QP) for respective reporting of Mineral Resources and Reserves is Miguel Fuentealba  
 Orosur Mining Inc (OMI)  
 Other QPs for Mineral Resources and Mineral Reserves not updated in the current fiscal year were: Devin den Boer (P.Ge) External consultant (Ex OMI employee); Francisco Castillo (Ex OMI employee); Walter Muehlebach (ex OMI employee); Mine Development Associates (MDA): Steven Ristorcelli (C.P.Ge); and AMEC: John Barber, P.E.

### 5.1.13 Mining Operations

#### Open Pit & Underground Mining

Open pit mining is performed by conventional open pit methods, using drill and blast techniques to break the rock, and then load it by excavator on to 50 tonne trucks to be transported to appropriate destinations. Historically, mining and hauling from satellite pits around San Gregorio was performed by contractors with smaller mining equipment to match the equipment size, to the size of the pits. Over the past years, contractor mining of satellite pits and ore haulage became a significant cost item for the Corporation. During 2012, Orosur acquired its own fleet of smaller mining loading and hauling equipment. Total capital expenditure to acquire this fleet was approximately US\$4.5M and was funded by a leasing contract with a term of 36 months.

- 3 Komatsu PC450 excavators.
- 2 Komatsu WA320 Front End Loaders
- 1 Komatsu WA600 Front End Loaders
- 1 Komatsu WD600 Wheel dozer
- 1 Komatsu D375A-5 Bulldozer
- 2 Komatsu Cylinder Compactor
- 4 Komatsu HD465 Haul Trucks
- 1 Komatsu PC1250 Backhoe Excavator
- 1 Water Truck HD465
- 1 Scania Road Truck
- 1 Komatsu GD705A-4 Motor grader
- 1 Fuel truck

Current underground equipment is comprised of:

- 3 Sandvik FEL (Scoop) LHD 514(2units), LH 307 (1 unit)
- 2 Sandvik Jumbos DD320-26X
- 2 Sandvik long hole drills DL 310
- 2 Normet man lifts UTILIFT 6330X
- 1 Komatsu FEL WA 200-6
- 1 Cat Dozer D5G
- 1 Cat Telehandler TH 360
- 7 Volvo FMX 440 6x4 mining trucks.
- 2 Volvo Water Trucks.

In FY18, open pit waste and ore material, totalling approximately 3,318Kt, was hauled mainly using the Komatsu fleet, whereas the San Gregorio underground ore, totalling approximately 417Kt, was transported by the Volvo FMX fleet. The on-road hauling material from open pits to the process plant, in the case of larger distances, was undertaken by the Volvo FH fleet and occasionally by contractors.

Historical production from the San Gregorio is shown in Table 5-7 on the following page.

**Table 5-7: Production statistics for the past three years of operation.**

	Unit	Fiscal Year ended May		
		2018	2017	2016
Ore mined	Tonnes	779,162	933,973	925,583
Waste mined	Tonnes	2,956,676	3,154,434	2,283,480
Ore processed	Tonnes	875,440	978,529	1,013,104
Gold produced	Ounces	26,681	35,371	35,773
Gold grade	g/t Au	1.01	1.21	1.19
Recovery	%	94.20%	93.41%	92.54%

The treatment plant is a conventional carbon in leach (CIL) plant built in 1996, and comprises primary crushing, followed by a SAG mill and a ball mill. A two-stage pebble crusher has also been installed to deal with scats produced by the SAG mill. Gold production from the plant is mostly a function of the head grade of the ore. During FY 2018, the plant averaged approximately 94.97 % gold recoveries and treated ~0.85 Mt.

A gold-silver doré (97.5%) is produced on site with silver content by weight of approximately 43%. Doré is refined by a contracted refinery in Europe and sold at prevailing market conditions.

#### 5.1.15 Underground Mining – San Gregorio Deeps

In FY 2015, Orosur engaged MDA to assist with the preparation of an internal study on the San Gregorio deposit area. The study consisted of evaluating alternatives to mining the remnant mineralization under and adjacent to the current San Gregorio pit. Three alternatives to recover the mineral resources below the pit were analyzed:

- 1) underground mining,
- 2) open pit mining and
- 3) open pit and underground mining.

In the current gold price environment and that of recent years, numerous internal studies indicate that underground mining of the entire deposit is likely to be uneconomical due to the amount of underground development required. Underground mining in the western area only however, below the San Gregorio pit where higher grades exist, has been shown to be an economic opportunity based upon prevailing gold price levels. Open pit mining methods presented high waste-to-ore ratios, higher initial investment and were also discarded in favour of underground mining.

For the underground scenarios, transversal stopping mining was selected as the primary mining method to be complemented (upper portion of the ore body) with cut-and-fill mining in adjacent or nearby narrower stopes that would otherwise incur excessive dilution. This study assumes mined-out locations will be backfilled with CRF (cemented) and RF prior to mining adjacent locations. The costs for backfilling used in this study are based on actual costs incurred at the Arenal project. Stopes at the San Gregorio project will be narrower than stopes at Arenal thus there is a possibility that the actual cost of backfill at San Gregorio could be lower.

In FY 2016, a 5-month dewatering program was necessary to start work on the portal location and related infrastructure. As a result, the Company decided to move the portal from west to center portion of the north wall was made due to the geo-mechanical and structural conditions encountered once the pit walls were exposed.

The main ramp has a 5m x 5m section, with the entrance on the north wall of San Gregorio open pit, at level 35. The Company's work force and equipment used in Arenal was transferred to SG, including power stations, fans, pumps, and other required and available equipment.

Based on the Company's experience at the Arenal UG mine, a cement mixer was installed outside of the underground mine, to optimize the operation and to prevent cement dust inside the UG mine and workings.

#### Mineral Reserves

Remaining mineral reserves from the SG UG area are those associated with SGE UG. The characteristics of this deposit are:

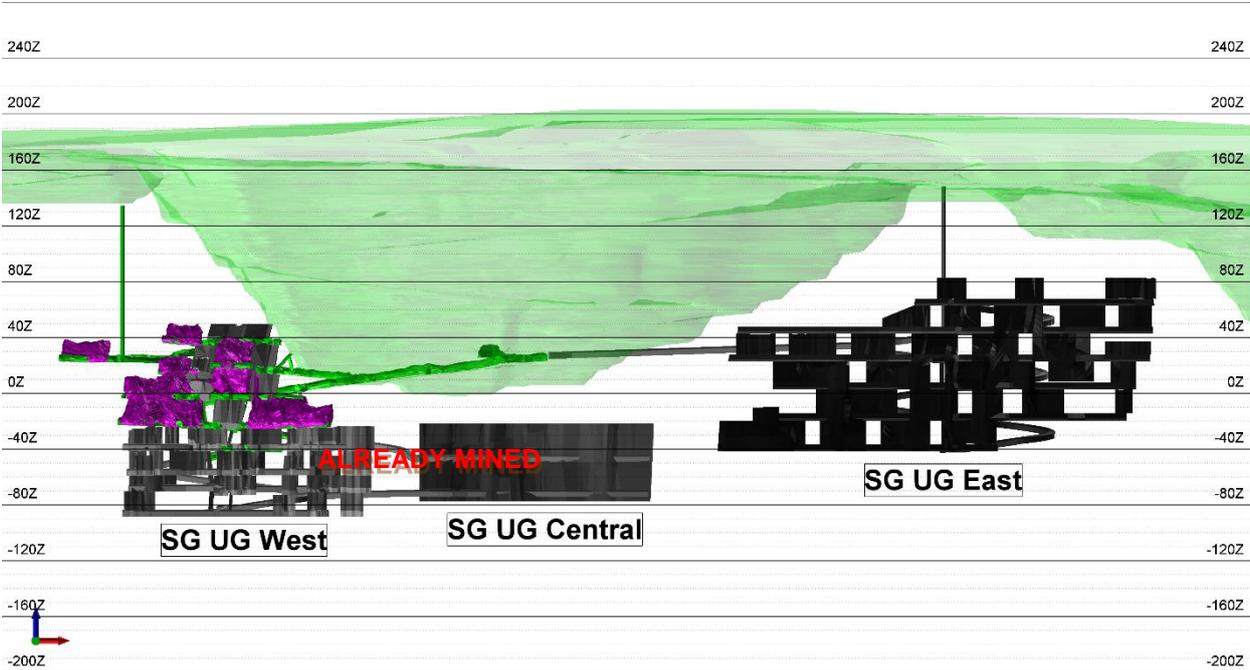
- Mining development financing required
- Approximately 8 months of development work estimated
- Marginal project economics
- 16.6 Koz of proved and probable reserves, 14 Koz of mined gold

Due to the work completed and summarised above, the SG UG East deposit, is not being considering for development and mining at this time and in this gold price environment.

SGE UG was previously planned to be a continuation of mining at SGW UG and SGC UG mines. Operations started in the west portion of the SGW UG mine and moved eastwards to SG UG Central. The current financial situation of the Company does not allow for additional ore development expenditure and ore mined from the San Gregorio Deeps sector will be the last mining expected prior to the financing and permitting required to advance with Veta A being obtained.

A schematic representation of the original mine design is shown in Figure 2:

**Figure 2 SG UG east - looking north**



**5.1.14 Veta A Deposit**

The Veta A deposit represents the most promising ore source for an oncoming production stage at present. Veta A is hosted by a Precambrian rocks basement towards the north east corner of the reclaimed tailings dam, to the southern part of the geological corridor of San Gregorio. Gold mineralization is controlled by a SW-NE shear zone and in some places shows some high-grade gold contents, greater than 3.5 g/t whereas the average grade tends to be around 2 g/t gold.

Veta A represents an old ore body that was further advanced with a positive preliminary geotechnical study from SRK and explored during FY18.

According to the current geological data, an early stage conceptual mining plan has been developed. Development of the mine would require financing, permitting and further exploration. A broad overview is as follows:

- Development financing required.

- Requires environmental permits to operate.
- Development estimated over 10 months.
- Ore body is still open at depth and along strike, leaving the door open for significant reserve and resource increases.

### 5.1.16 Exploration and Development

During FY18, exploration activities were focused on three main groups:

1. Strategic Discovery: Growth oriented to transform the SG operation profile
2. UG reserves: Consolidate Mine plan years 2-4
3. Brownfield OP: Consolidate Mine plan years 2-4

1) **Strategic Discovery:** Lack of economic support precluded a more ambitious drilling program. However, 2,492 m were drilled at San Gregorio and Nueva Australia districts aimed to test geological targets obtained from new geological interpretations of the data. New mineralized structures were defined because of it. More surface geology and drilling are required to follow up these targets.

2) **Underground Reserves:** Drilling was oriented to increase the confidence on the reserves and in increasing the resources at San Gregorio UG and at Veta A project. At San Gregorio UG 3,606m of drilling were carried out in order to define the short-term production plans and to better understand the ore body. A total of 1,600m of drilling distributed in 11 holes were sunk at Veta A. All of them were successful in intersecting the mineralized body 120 m below the currently known mineralization. The continuity of the mineralized structure is still open along strike and at depth. The underground development of the Veta A deposit would enable the Company to continue drilling the mineralized body more cost effectively in order to delineate its fuller potential. Surface drilling is not possible because of the remediated tailings dam presence.

3) **Brownfield OP:** Government delay in providing mining permits at Mina Perú, Sobresaliente Centro and Norte initially considered as ore source for the fiscal year, required that brownfield exploration was focused around the San Gregorio structural trend and at Zapucay. A total of 12,680 m was drilled and distributed in the following areas: El Muro, Santa Teresa-Polvorín Trend, Veta Rey, Zapucay, Arenal, Sobresaliente and Mina Perú. Brownfield exploration added 7.5 Koz of gold coming from El Muro, Santa Teresa NE, Veta Rey, Mina Perú y Arenal.

Exploration activities were gradually slowed during the year, ultimately being shut down by the end of Q3 18 due to a lack of available financing.

At present, the Company is actively seeking funding to re-activate the exploration of the Isla Cristalina Belt.

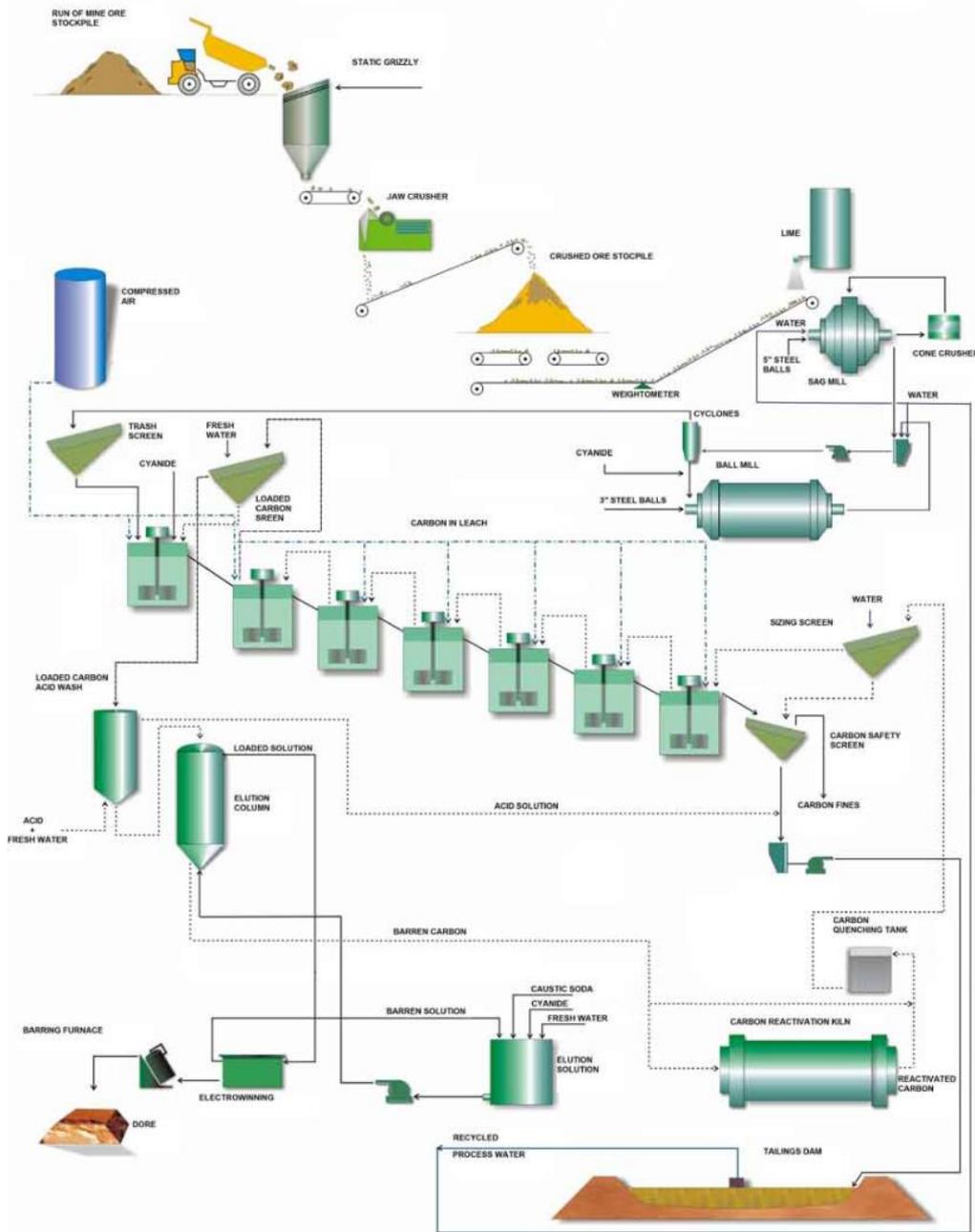
### San Gregorio Plant and Processing

The SGGP processing plant, which has a nameplate capacity of 1.03 Mtpa, is comprised of a crushing circuit, ball and SAG mill, grinding circuit and precious metal recovery through CIL and electrowinning. The finished product is doré, which is subsequently air freighted to Europe for refining and sold into spot markets.

During the year, 758,664 tonnes of ore were processed at an average gold grade of 1.01 g/t and an average recovery of 94.97%, producing 26,681 oz and 905 from stocks of carbon (total production FY 18: 27,586 oz). This compares to 978,529 tonnes at a gold grade of 1.21 g/t with an average recovery of 93.41% for the prior financial year when 35,371 oz was produced.

FY 2018 production was comprised of a lower proportion of material produced from open pits than originally planned, resulting in an annual average of approximately 48% from open pits and 52% from San Gregorio underground.

The average throughput rate for FY18 was 162.2 tonnes per hour, representing a 38% increase over the plant's nameplate capacity (117.5 tonnes per hour).



## San Gregorio Laboratory

The *Corporation* owns and operates its own assay laboratory at the San Gregorio site. In 2018, the laboratory received **98,000** samples and performed **181,000** analyses.

The average turnaround time for mine samples is 24 hours and 48 hours for samples derived from exploration projects.

The laboratory markets and sells its services to Exploration Companies operating in Uruguay generating revenues to the Company.

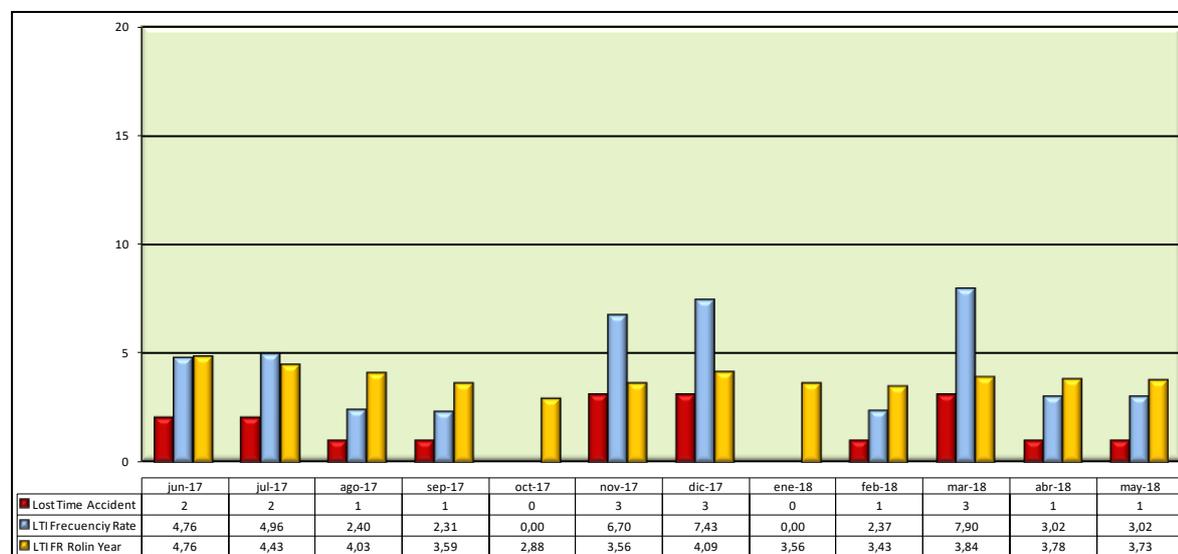
Quality control testing is in place for plant consumables to improve efficiencies and costs in the plant. The laboratory has an internal and external QA/QC program and is independently audited by international experts. Between 5% - 10% of all samples are sent to external labs as part of this program. The *Corporation* participates in bi-annual Geostats Round Robin Survey and performs well. ISO 17025 accreditation for the laboratory's processes has continued.

## Employees and Safety

Management tools are incorporated for control of occupational hazards in different areas of work, and are considered vital for the safety of personnel and processes, such as the Cardinal Safety Rules of San Gregorio Mine, which came into effect in August 2014 and outlined rules to be fulfilled by workers. Similarly, punitive measures are set forward where these rules are not adhered to. Important changes were made to the HSE supervision, resulting in greater control over the processes which pose the greatest risk.

Moreover, activities of the bipartisan Commission on Safety have been supported by safety delegates elected as representatives of workers in different departments, to participate as collaborators with safety briefings and verification of working conditions through safety inspections, thus giving solutions to problems in each sector, resulting in improvement of each process.

	jun-17	jul-17	ago-17	sep-17	oct-17	nov-17	dic-17	ene-18	feb-18	mar-18	abr-18	may-18
Lost time accident L.T.A.	2	2	1	1	0	3	3	0	1	3	1	1
First Aid	1	2	1	0	0	1	1	0	0	1	2	0
Property damage	7	4	7	4	5	5	7	3	2	0	4	2
Incident	0	1	0	1	1	1	1	0	0	0	1	0
Total hours worked	84,006	80,627	83,402	86,632	81,424	89,583	80,745	87,039	84,234	75,978	66,137	66,291
LTI frequency rate	4.76	4.96	2.40	2.31	0.00	6.70	7.43	0.00	2.37	7.90	3.02	3.02
LTI FR rolin year	4.76	4.43	4.03	3.59	2.88	3.56	4.09	3.56	3.43	3.84	3.78	3.73



## 5.2.0 Exploration in Chile

In Chile, the Company is discontinuing its operational unit. In respect of the Anillo project, Asset Chile forfeited the 16% interest it had earned and Fortune Valley returned the project to Codelco. The Company is in the final stages to close the transaction with Codelco.

On July 2018, the company sold its 25% remaining interest in Talca for a consideration of \$120. With that sale, the company is left with neither an interest nor obligation in Talca.

### **5.2.1 Property Title in Chile**

Chile's mining policy is based on legal provisions that were enacted as part of the 1980 constitution. These were established to stimulate the development of mining and to guarantee the property rights of both local and foreign investors. According to the law, the state owns all mineral resources, but exploration and exploitation of these resources by private parties is permitted through mining concessions, which are granted by the courts.

The concessions have both rights and obligations, as defined by the Constitutional Organic Law on Mining Concessions (JGRCh, 1982) and the Mining Code (JGRCh, 1983). Concessions can be mortgaged or transferred, and the holder has full ownership rights and is entitled to obtain the rights of way for exploration and exploitation. In addition, the concession holder has the right to defend his ownership against state and third parties. A concession is obtained by a claim application and includes all minerals that may exist within its area.

During the claim acquisition process, several steps are required (application, publication, inscription payments, notarization, tax payments, patent payment, lawyer's fees, publication of the extract, etc.) before the application is finally converted to a declaratory sentence by the court constituting the new mineral property. A full description of the process is documented in JGRCh (1982, 1983). Many of the steps involved in establishing the claim are published weekly in Chile's official mining bulletin for the appropriate region, and court processes for opposition from conflicting claims is allowed. Most companies in Chile retain a mining claim specialist to review the weekly mining bulletins and ensure that their land position is kept secure.

### **5.2.2 Mineral Royalty Law in Chile**

In 2005, the Chilean congress passed Law 20,026 (Royalty II), a tax on operating income derived from the sale of mineral products, both metallic and non-metallic (MEFR, 2005). The law established a sliding tax, depending on the value of total sales measured in copper equivalent, ranging from 0.5% to 4.5% for sales exceeding the value of 12,000 t Cu but less than 50,000 t Cu (medium and small mining operators). For large operators, those with sales exceeding 12,000 t Cu, a flat 5% was fixed.

Companies with new investments of US\$50M or more have the option of signing a 15-year tax-stability pact with the state, which will include the new sector-specific tax.

Companies with current mining investments protected under Chile's DL 600 foreign investment law (MEFR, 1993) have the option of waiting for their DL 600 contracts to expire, after which time their investments will be subject to the 5% mining tax. However, if these companies choose to renounce their DL 600 status, they will face a 4% mining tax during the next 12 years, and keep the benefits of accelerated depreciation until the end of 2007, as well as a tax-stability clause.

On October 21, 2010, new legislation was passed introducing amendments to large operators defined as those exceeding 50,000t of fine copper establishing new rates ranging from 5% to 14% depending not only on sales but on the operational mining margin.

### **5.3.0 Anillo Property, II Region, Chile**

#### **5.3.1 Anillo Project Description and Location**

The Anillo Project is located 125 km east of Antofagasta close to the El Peñon mine.

The Anillo property has been optioned from CODELCO with OMI having the right to acquire a 65% interest in the project, by spending US\$4M over 4 years and completing a bankable feasibility study within a further 2 years. Codelco retains back in rights for a copper discovery.

The Corporation has spent US\$4,376,613 in exploration expenditure, which implies that the first part of the commitment with Codelco is fulfilled. A bankable feasibility study has not been completed.

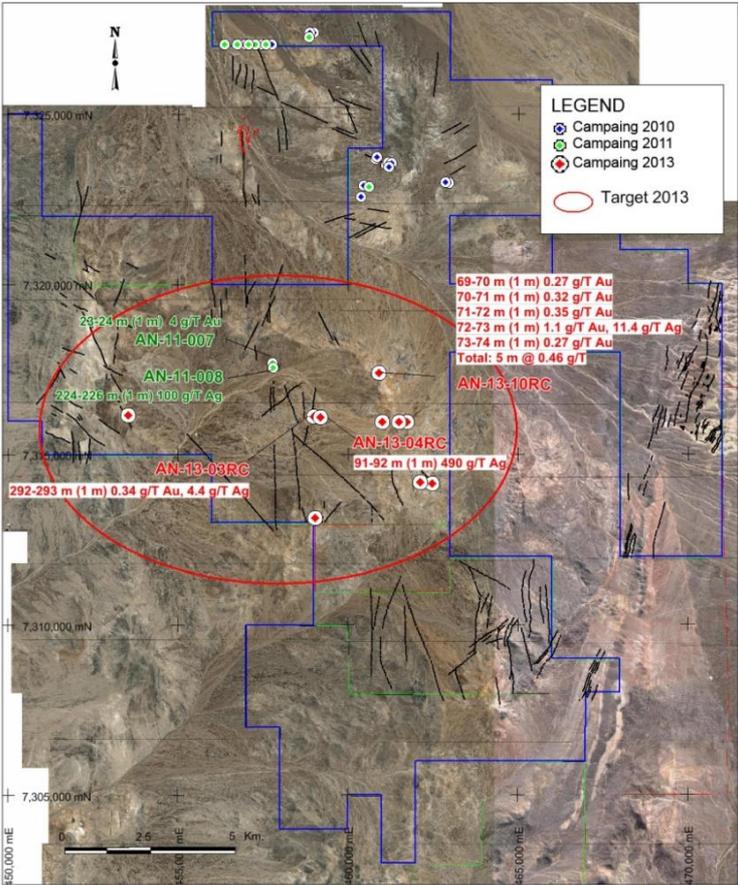
On June 6, 2015, the Company signed a definitive option agreement (the “Agreement”) with AC in relation to the Company’s Anillo Project (Anillo) in northern Chile. For details of the Agreement with AC, refer to Section 3.4 “Significant Acquisitions”.

OMI’s activities at Anillo started in 2010 and involved approximately 300 km<sup>2</sup> of prospective land. Activities involved geological mapping and sampling, geophysics and a total of 10,173m of drilling in 35 different drill holes. Mineralized drill intersections historically recorded total approximately 33m > 0.1 g/t Au and 506m > 4.8 g/t Ag. This includes four intersections of about 1 to 1.5m with 1.1 to 4.0 g/t Au and one intersection of about 1m with 490 g/t Ag.

The Anillo mining property covers roughly 300 Km<sup>2</sup> with current drill hole density of 0.12 holes / km<sup>2</sup>. As a consequence of the exploration results the area of major interest reduced currently to about 90 Km<sup>2</sup> and in this case the drill hole density is of 0.13 holes / Km<sup>2</sup>. These figures indicate that there is no significant difference in the drill efforts driven to the area of the highest exploration potential. Exploration risk is high, as with any project of this type, at this stage of exploration. The Corporation’s exploration effort points towards the discovery of a high grade, vein type mineralization, being the natural target a low sulphidation epithermal (El Peñon-type) gold-silver deposit, although high sulphidation epithermal type mineralization is not discarded.

Further work may likely generate a more thorough insight into the area of greatest potential and lead to a higher geophysical and geochemical data density to enable Orosur to make the decision to support any further target drilling programme(s). This exercise may include a detailed structural study of the El Peñon – Veta Victoria corridor as well as other structural patterns seen to the East. A Controlled Source Audio-Frequency Magneto Tellurics (“CSAMT”) proved to be a valuable tool for this type of mineralization in the area.

**Figure 5.3.1 Anillo Project**



### 5.3.2 History

The initial stages of exploration were carried out by Utah International with the Atacama Joint venture 30 years ago. Since then a major portion of the prospect area has been owned by Codelco with past exploration activity by Billiton and Normandy being carried out under option agreements with Codelco. Exploration activities have been carried out at Anillo since.

The Atacama Joint Venture discovered the neighboring Escondida porphyry copper deposit, and also identified Anillo as a porphyry copper target in 1979, but concluded that the alteration assemblages represented a shallow volcanic environment rather than that of a porphyry copper system. When the Atacama project diversified towards the search for high tonnage-low grade precious metal deposits, the site was revisited and additional studies carried out. In 1982 preliminary reconnaissance mapping and geochemical sampling was done at a scale of 1:20,000 on the eastern half of the area resulting in the detection of strongly limonitized silicified breccias and vuggy silica bodies.

Around 10% out of 400 rock geochemical samples collected during this stage returned anomalous values for Au, Ag, As, Sb and Hg. Anomalous gold values were at the 0.1 - 1.3 g/t level and anomalous silver values in the 1 - 7 g/t range. A complementary follow-up geochemical rock sampling program was carried out in anomalous sectors returning two peak values of 1.2 and 1.9 g/t Au. Smaller anomalous zones with values up to 0.3 g/t Au and 6 g/t Ag were detected in the northern sector of the prospect. A semi-detailed investigation covering a 6 x 2 km area located at the eastern and north-eastern sectors was carried out as a follow-up to the preliminary work. As a result of this a 1,000 x 2,500 metre exploration target for disseminated gold and silver mineralization was detected, associated to an intrusive enclosed by two main fault systems.

Drilling met with discouraging results as only erratic anomalous gold and silver values were encountered. Drill hole AN-2, located at Anillo East, intersected two gold anomalies: one from 25 to 95ft. depth averaging 0.24 ppm Au and with a peak of 1.9 ppm Au, and the other between 195 to 235ft. with average 0.14 ppm Au. Drill hole AN-6 situated at Cerros Este area found anomalous values from the collar to 65ft. with a mean value of 0.18 ppm Au and with a peak of 1.5 ppm Au. Drill hole AN-8 located at Cerrito Negro area detected continuous anomalous silver values ranging from 1 to 15 ppm and very occasional anomalous gold values, one of them of 1.1 ppm Au.

Codelco became the owner of the majority of the prospect area and is reported to have carried out basic exploration work on the project area in 1993. However, the only available information is a ground magnetic survey carried over the area in which 37 lines, each 10 km in length for a total of 370 line/km were surveyed, with readings being taken every 25m (Section 20 N°1). On the basis of the Analytic Signal obtained, magnetic lineaments were identified and sectors with hydrothermal alteration were noted to have low Analytic Signal values.

Billiton, interested in the property's porphyry copper potential, entered into an option agreement with Codelco in the late 1990' (the details of which are not known) to purchase the property. Under this agreement regional reconnaissance geological mapping and semi-detailed geologic mapping of a 10x10 km area was done with emphasis on alteration, alteration zonation by ledges and the structural layout. Also, selective rock geochemistry by ledges was carried out, and veins were sampled and assayed for Au, Ag, Cu, Mo, Pb, Zn and As at the ITS Bondar Clegg laboratory in Santiago, Chile. Rock samples were also collected for petrographic studies, PIMA, dating and X-Ray studies.

A subsequent air RC drilling program was based on the geological and geochemical data. Eleven RC holes were drilled in February 2000 for a total of 2,556m within an area of approximately 20 km<sup>2</sup>. The lithocap model they proposed was verified over a 700m column, however porphyry centres were not encountered. Economic copper mineralization of interest was not found. The best intercept was 0.13% Cu over 3 m. This led to the conclusion that if any porphyry copper system were present, it would be deep seated. In view of this Billiton withdrew from the option agreement.

Normandy, interested in the epithermal low-sulphidization gold-vein potential, similar to those at the neighboring El Peñon mine, signed an exploration agreement with Codelco after Billiton withdrew from the area. Normandy restricted their exploration efforts to the Anillo north sector, a small portion of the overall prospect area. At least five parallel quartz-calcite structures with north-west strikes and sub vertical dips towards the west were investigated in the Anillo north sector, varying in width between 1 and 2.5m. These

veins present banded, colloform quartz. Regolith and outcrop channel samples returned grades lower than 91 ppb gold and 4.8 ppm silver with anomalous arsenic (470 ppm) and antimony (< 160 ppm).

As it was believed that regolith and outcrop samples had suffered the effects of strong leaching due to the action of chlorides, sulphates and nitrates in the saline crust, also seen at El Peñón, the systematic sampling of outcrops and trenching was recommended. Twenty-nine trenches 30 to 80m long were cut across six north-west striking structures with subvertical dips, 10 to 40m widths, and strike lengths in excess of 1.5 km. Veinlets and veins consisting of banded colloform white translucent quartz and calcite, at times brecciated, with widths of up to 15m were found hosted within these structures. Two similar north south striking structures that cut these were identified. A total of 258 trench samples were assayed for gold at ALS Chemex laboratories in Chile. Assay returns were discouraging, the highest value being 38 ppb Au, however this should not be surprising as it appears that trenches did not reach proper bedrock due to the saline (caliche) crust and only one sample is reported in their database as being taken on a quartz vein. Normandy did not pursue exploration on the property.

### **5.3.3 Geology**

The Anillo Project is located adjacent to the north and north-east of Yamana's El Peñón mine, and is believed to occur in the same geological setting. The described geology is based on the "Hoja Aguas Blancas" (1:250,000 scale) geologic map published by SERNAGEOMIN and on a compilation of historical work done on the property by Utah International, Billiton, Normandy and Codelco and field observations by Fortune Valley geologists.

#### **Lithology**

The district is characterized by the presence of the following lithologies:

##### *Volcanic Rocks*

Aeropuerto Formation (Lower Cretaceous) Volcaniclastic sequence comprised of poorly stratified lava flows with no outcropping base, continental sandstones and inter-bedded conglomerates below the erosional unconformity with the Augusta Victoria volcanites. The volcanic horizons are biotite and pyroxene andesite with an aphanitic to fine porphyritic texture, regionally altered to chlorite.

##### *Augusta Victoria Formation (Upper Cretaceous – Eocene)*

In the study area, this volcanic package covers a large portion of the area, conformably overlying Mesozoic sedimentary rocks of the Santa Ana and El Profeta formations, and unconformably overlying the Aeropuerto Formation to the west. In general, it has a subhorizontal to low angle dip to the west presenting local variations near the structures and intrusive bodies. In the project area, most of the outcropping stratified rocks are assigned to this formation. Rocks included in this volcanic sequence are:

##### *Andesites and Dacites*

Grey-greenish to brown-reddish basaltic pyroxene and olivine andesites, pyroxene andesites, amphibole and biotite andesites and pyroxene dacites, located at the base of the sequence underlying volcanic and pyroclastic rocks. These rocks form solid flows with thick stratification striking NS with low angles dips to the east in the western portion.

##### *Volcaniclastic Rocks*

A sequence of well stratified volcanic-sedimentary rocks, gently dipping to the east, contains abundant limonite (jarosite) and are locally affected by a penetrative silicification with diaspore and alunite, obliterating the original texture.

##### *Pyroclastic Rhyolitic Rocks*

Ash tuffs, lapilli and brecciated volcanic package, 56 to 60 My (Upper Paleocene). NS to NW strikes gently dipping west. Strong hydrothermal alteration affects these rocks with microcrystalline quartz and alunite replacement, masking original texture.

##### *Rhyolitic Domes*

Sub-volcanic bodies, white to pink color with a characteristic sub-vertical folded foliation, producing centimetre thick slab boulders. These domes are discordant to the stratification, however towards the top of the volcanic sequence they are interbedded as concordant flows or sills. On their borders obsidian glass and brecciated reddish coloured rhyolitic tuff are present. The age of these domes is considered to be Lower Eocene.

### *Intrusive Rocks*

On the basis of radiometric dating, two groups of intrusive rocks have been recognized.

#### *Cerro Paisaje Intrusive Complex*

Monzo-diorite to quartz-monzonite stocks commonly with phaneritic textures outcropping to the west of Cerro Paisaje. They are dated (biotite) at 48 My.

#### *El Peñón Intrusive Complex*

A small 5 x 3 km pluton located east of Pampa El Peñón, corresponds to a fresh phaneritic-textured diorite with a K-Ar age of 42 My.

In the Anillo heights, these occur as dikes and small porphyritic-diorite stocks and a pyroxene-hornblende quartz-diorite intruding the volcanic sequence. Two radiometric K-Ar (biotite) dates in relatively fresh porphyry gave 48 My and 42 My in whole rock, corresponding to Mid to Upper Eocene. Silicified breccia bodies with elliptic sections and sizes ranging from 5 to 60m in diameter are distributed in a large portion of the project area.

#### *Saline Detritic Cover*

This unit covers approximately 50% of the project area. It is characterized by the presence of poorly consolidated colluvial sand and gravel horizons that overlay all the pre-existing rocks, nitrate and sulphate deposits (caliche) and modern alluvial gravel and sand deposits related to recent drainage areas, and in general, fine intercalations of pyroclastic flows of recent volcanism.

### **5.3.4 Exploration**

During the second half of fiscal year 2010-2011 the Corporation completed a first pass drill campaign of 16 RC drill holes for a total of 2,497m at the Anillo project during the quarter. The drilling targeted anomalous geochemistry in rock and trench sampling combined with magnetic and VLF anomalies from geophysical surveys completed in October 2010.

Anomalous Ag and Au values (maximum 0.37 ppm for Au and 6 ppm for Ag) were intercepted over several metres in holes drilled in two different sectors located to the north and east of Yamana's neighboring Pampa Victoria discovery (recently Yamana has filed an EIA). Drilling confirms the presence of high level, low temperature epithermal mineralization at shallow depths below surface.

In the first half of fiscal 2012 the Corporation completed 4,676m of drilling. The programme included deep holes (up to 500m) drilled in fences to test mineralized N/S oriented structures where anomalous Ag and Au values had been encountered in previous drilling. A number of holes were also drilled in new areas in the Anillo Central zone and the best intercepts were 2m at 2.67 g/t Au from 22m in hole AN1107 and 2m at 100 g/t Ag from 224m in hole AN1108.

Surface exploration completed during 2013 – 2014 showed anomalous gold and silver values in trenches. A Controlled Source Audio-Frequency Magneto Tellurics ("CSAMT") survey suggested the presence of silica-bearing structures, which may host economic gold-silver mineralization. Subsequently, a 3,000m RC drill program, comprising 10 holes, was carried out, during May and June, 2013.

Results from drilling confirm the existence of gold and silver mineralized quartz structures at Anillo Central. This can be observed at hole AN-13-04RC with a 1.0m intercept (\*) with 490 g/t Ag (~8.1 g/t Au gold equivalent), at hole AN-13-10RC with a 5m intercept (\*) with 0.46 g/t Au, which includes 1.0m (\*) at 1.1 g/t Au and 11.4 g/t Ag and at hole AN-13-04RC with 1.0m at 0.34 g/t Au. These results show that the area hosts silica-bearing mineralized structures with encouraging values of Au and Ag. During the second half of the year surface mapping was continued and structural as well as geochem studies were commissioned to Nick Oliver (HCO Associates PL). According to this study the evidence of hydrothermal alteration recognized at surface and validated with litho-geochemistry confirm the occurrence of an epithermal, low sulfidation type system in the areas of North and East zones of Anillo and additionally recognize the existence of epithermal, high sulfidation at Anillo Central, West and South. Geological records indicate that low sulfidation is early Eocene in age (53-51ma), while the high sulfidation is middle Eocene (43 ma). Geological domains were established and five new target zones were defined based on the previous analysis.

The option agreement with AC closed on June 6, 2015. Phase 1 drilling and geophysical work at Anillo was completed during FY 2016, and the Company is presently working with AC towards potential future exploration phases. See Section 3.4 "Significant Acquisitions for more details.

During May 2017, the Company agreed with Asset Chile to extend the period for them to make a decision to move to Phase 2 until December 2017. In exchange for that, Asset Chile agreed to pay the care and maintenance cost of Anillo and Chile office. It was further agreed that the Company will have the right to establish discussions with 3rd parties to farm out Anillo now and until, but pending the decision Asset will make in December. Signing took place early in June 2017, Asset contributed \$85 during June toward this requirement and further \$65 is expected to be done in September 2017, to cover all the costs of Fortune Valley till December 2017.

In May 2018, the Company terminated the option agreement on its Anillo gold exploration project with Nacional del Cobre de Chile ("Codelco"), Chile's national mining company, located close to Antofagasta, in Region II, Chile and focus its resources on its core properties in Colombia and Uruguay.

The Anillo project was originally optioned from Codelco in 2010, giving Orosur the right to acquire a 65% interest in the project by spending US\$4,000,000 over 4 years and completing a bankable feasibility study.

On June 6, 2015, the Company closed a further option agreement with Asset Chile Exploración Minera Fondo de Inversión Privado ("AC"), whereby AC subscribed for an initial amount of Anillo SPA common shares equal to 16% of the capital of Anillo SPA for gross proceeds of US\$850,000. AC had a further option to elect to earn up to 32.5% and up to 40%, by funding an additional US\$1,250,000 and an additional US\$1,375,000 respectively, which did not materialise.

Rather, following completion of the first phase of capital, Orosur and AC agreed to extend AC's timing to enter into phase 2 until December 2017 in exchange for AC paying care and maintenance costs of Anillo as well as the Chilean office costs and also allowing Orosur to enter into discussions with other parties to potentially fund the project. In view of the lack of positive exploration results during phase 1, AC gave notice of their intention not to enter into phase 2, following which and given the lack of alternative partners and the early stage and high-risk nature of this project, the Company has decided not to proceed with the option agreement. The termination of the option agreement is concluded by notifying Codelco and the notice was given to Codelco on May 24, 2018. There are no penalties involved with the termination of the Anillo option agreement. Orosur has an asset value of approximately US\$5.5 million recognized in its statements for the Anillo project which will be written down in the next financial results.

#### **5.4.0 Talca**

The Company announced in December 2013 the completion of the sale of its Talca properties in Chile to a private party (the "Buyer") based in Chile. In FY 2015, after limited underground development and exploration, the Buyer returned the project to Orosur.

The Talca property is located 375km north of Santiago in the IV Region, of northern Chile. The 1,680hectare property is located 15km to the west of Ruta 5 along the Chilean Pacific coast line in the Coastal Cordillera. The Talca property has a historical artisan mining history dating back as much as 60 years. The property hosts two gold mines that had been exploited by artisan (non-mechanized) mining.

The principal structural controls on the property are two NNW (320°-350°) trending shear zones/fault structures between 2-4m wide and 900m apart that can be traced from 4-8km along strike. Secondary structural control is a swarm of ± E/W (260°-285°) striking quartz veins ranging between 1-2m wide. Gold has been historically mined on both these structural trends down to depths of over 250m.

After acquiring the property in the second half of 2011, the Company completed surface sampling, geophysics, structural mapping and interpretation and mapping of underground workings. Following this work, the Company drilled 60 holes covering 12,218m in two campaigns covering three main targets: the Niebla Vein (14 holes for 2,877m), the Metalera Shear (29 holes for 5,152m) and the South Veins (17 holes for 4,189m).

During the year ended May 31, 2017, the Company conducted a property review to try to generate value from this asset. Some field work was undertaken to obtain relevant information and the property was presented to potential partners and investors.

In July 2018, the Company sold its 25% remaining interest in Talca for a consideration of \$120. With that sale, the Company is left with neither an interest or obligation in Talca.

### **5.5.0 Anzá Project, Colombia**

#### **Location and Accessibility**

The Anzá project is located on the eastern-most margin of Colombia's Western Cordillera, 50 km west of the city of Medellín, Colombia.

The Anzá project is accessed via the paved road from Medellín to the small town Anzá, which is located close to the Cauca River. The distance by road from Medellín to Anzá is approximately 90 km. A 17 km gravel road links the town of Anzá with a gypsum mine (the Gypsum Mine). Several other gravel roads traverse the Anzá project area linking the scattered farming communities of the area.

#### **Topography, Climate and Vegetation**

The terrain is steeply incised with elevations ranging from 700m to 2,000m above sea level. The area is generally covered in mixed open natural grassland with patchy scrub and woodland. The drainages are densely vegetated, and outcrop is relatively poor. The Niverengo river drainage bisects the Anzá project area and bisects the Gypsum Mine, separating the two mining sites. Agricultural activity in the vicinity focuses predominantly on subsistence farming, mango and palm nut cultivation and the rearing of livestock.

The climate is tropical with average minimum and maximum temperatures of 16°C and 27°C respectively. The average annual rainfall is approximately 1,500 mm, most of which falls in the rainy season from April to November.

#### **Infrastructure**

The Anzá project area is reasonably well developed in terms of infrastructure and road access. The town of Anzá has a population of 1,600 people and a further 6,000 people live in the outlying rural communities. Agriculture is the main economic activity in the region.

#### **Regional Geology**

South American geology is dominated by three principal tectonic plates, the Pacific (Nazca) plate in the west, the Caribbean plate to the north and the South American plate which forms the bulk of the continental landmass. The Northern Andean Block forms a distinct geological segment of the Andean Cordillera in Colombia and is subdivided into three mountain chains, the Occidental (western), Central and Oriental (eastern) Cordillera.

Colombia's geological history has been dominated by processes occurring along the accreting plate boundary between the Nazca and South American plates. Changes in the position of the subduction zone have resulted in the progressive accretion of the Cordilleran mountain chains onto the western margin of the Guiana Shield, forming the current complex geological framework. These plate tectonic processes are also strongly associated with ore forming processes and the formation of many of Colombia's mineral deposits (Cediel et al., 2003).

The Anzá project lies within the Western Tectonic Realm of Colombia (Cediel, Shaw and Cáceres, 2003; Kennan and Pindell, 2009). This is composed of a series of oceanic terranes accreted against the western margin of the Guiana Shield during the late Mesozoic and Cenozoic periods. The Anzá prospect lies near the eastern margin the Cañas Gordas Terrane ("CGT"), a component of the Choco Arc, one of the components of the Western Tectonic Realm. The following geological overview is summarised from Cediel, Shaw and Cáceres (2003) with some data from Niverengo (2001), Kedahda (2006) and Snowden (2007).

The CGT is composed of volcanic rocks and sediments of middle to late Cretaceous age. The volcanic sequence forms the Barroso Formation and the sedimentary sequence the Penderisco Formation, with the Penderisco Formation occurring in the western part of the terrane and the Barroso Formation in the east.

The volcanic rocks of the Barroso Formation are of tholeiitic basalt and andesite composition. Basalt flows, pillow lavas, agglomerates and tuffaceous pyroclastics are present. Fine sedimentary and cherty units are locally intercalated in the volcanic sequence, with diabase, possibly as sills, also reported. The Barroso

Formation is interpreted to have been deposited in a subaqueous environment as part of a calc-alkaline volcanic arc.

The Penderisco Formation is a turbidite sequence composed of thin to medium bedded greywackes, mudstones, shales, calcilutites and minor volcanic tuffs. These sediments are interpreted to overlie, and locally pass into, the volcanics of the Barroso Formation.

Towards the southern end of the area where the Gypsum Mine is located, the Barroso Formation contains a localised series of andesitic to dacitic pyroclastics, including agglomerates, tuffs and volcano-sedimentary breccias. Siliceous to cherty and calcareous fine grained clastic sedimentary rocks are also present. These intermediate pyroclastic rocks host all of the gypsum and metalliferous sulphide occurrences that have been discovered to date.

The CGT was intruded in the east by the Sabanalarga Batholith during the Cretaceous (99 Ma to 112 Ma). This elongate, composite calc-alkaline pluton containing tonalite, quartz diorite and granodiorite, may be closely related to volcanic arc development. The younger, 53 Ma, Mande-Acandi calc-alkaline plutonic arc is emplaced along the western margin of the CGT. These plutons are inferred to have been emplaced prior to accretion of the CGT onto the Guyana Shield. Small stocks dated at 6 Ma to 8 Ma occur along the eastern side of the CGT and are inferred to be related to subduction and subsequent accretion of the Baudo Terrane.

The CGT is bounded on the east by the arcuate Garrapatas — Dabeiba Fault system. This fault system records the oblique, dextral obduction of the CGT onto the previously accreted Pacific and Caribbean terrane assemblages. Accretion took place during early to middle Miocene. The western boundary with the Baudo Terrane is marked by the late Miocene Atrato Fault system, which is seen in seismic sections below younger cover. The Anzá project is located on the eastern edge of the CGT, adjacent to the north trending Romeral Fault zone, a component of the Garrapatas — Dabeiba Fault, which separates the allochthonous oceanic rocks of the Western Cordillera from the continental sub-plate of the Central Cordillera.

### **Local Geology**

The description of the local geology is based on information from Alfonso and Cano (2000), Niverengo (2001), Kedahda (2006) and Snowden (2007). The Anzá project is located on the east side of the CGT, approximately 7 km west of the Romeral fault zone which is marked approximately by the course of the Cauca River. The project area lies within a north south trending, 10 km to 15 km wide, strip of Barroso Formation basalt and basaltic andesites. Lenticular outcrops of fine sediments (siltstones and mudstones) occur within the Barroso Formation. A major outcrop of Penderisco Formation occurs some 5 km to 7 km west of the project area. Cretaceous calc-alkaline intrusions (rock types mapped as 'undifferentiated' but include gabbro and diorite) and one Neogene intrusion occur but are a minor component of the local area. The break between the Barroso and Penderisco Formations is defined on a regional scale by the north-south trending Sepultura Fault, which is a parallel structure to the Romeral Fault. In the vicinity of the Anzá project the Sepultura Fault is mapped within the Barroso Formation, suggesting a more complex fault morphology and structural history.

The host succession to the gypsum deposits and sulphide mineralisation at the La Pastorera and Aragón mines is a local occurrence of intermediate pyroclastics and sediments within the main outcrop of basaltic Barroso Formation material. This sequence is termed the Miembro Transicional by Kedahda (2006). The relationships of this clastic sequence with the Penderisco Formation are uncertain. Alfonso and Cano (2000) distinguish an adjacent outcrop of mudstone, chert and siltstone as an outlier of the Penderisco Formation. Black carbonaceous mudstones were observed in contact with the gypsum at the La Pastorera mine and these may form part of the latter sedimentary unit.

The immediate host rocks of the Gypsum Mine deposits have been mapped in detail. There are three locally mappable units at La Pastorera and form the lowest exposed units of the Miembro Transicional (Alfonso and Cano, 2000, Niverengo, 2001, and Kedahda, 2006);

- Thick sequence of fine tuffs with intercalations of massive to pillowed basalt and minor chert and calcareous mudstones.
- Crystal-lithic intermediate tuffs, which are locally pyritised above the gypsum and sulphide. Pyritic beds or replacement zones may reach 3m thick.

- Agglomerates and crystal-lithic tuffs with minor intercalations of chert, calcareous mudstone and basalt. The gypsum and massive sulphides occur in this unit, with gypsum forming a major part of the unit.

## Ownership

Waymar Resources Ltd. acquired the 100% interest in the Anzá Project pursuant to an option agreement effective June 29, 2010 (the “Niverengo Option Agreement”). On June 24, 2013, Waymar exercised the option and acquired the 100% interest in the Anzá Project which encompasses approximately 6,738 hectares of mineral rights. Waymar also acquired pursuant to an agreement effective June 29, 2010, 100% ownership of certain properties surrounding Anzá, originally covering approximately 16,293 hectares (prior to subsequent property area reductions), comprising concessions, exploration licenses, study areas and applications, to cover the district potential.

## Drilling

Since 2010, Waymar Resources Ltd. conducted geological mapping, ground geophysical surveys, a systematic geochemical sampling survey, an airborne geophysical survey, 17,408 metres of DC (in 53 drill holes) and other complementary technical studies. This work identified one significant mineralized body, called APTA. Mineralization at APTA as shown by drilling results, extends at least 2,500 metres along the Aragón Fault. The deposit remains open to the north, to the south, and down-dip. In the FY18 a new drilling campaign take place in APTA were 6,314m in 18 holes were sunk. This drilling campaign confirm the continuity of the high-grade mineralization in the APTA corridor and intercept the high-grade structure at depth in the north sector were the mineralization occurs along 400m down dip and is still open with great results.

Other targets in the ANZA exploration area, including those identified by soil geochemistry in the immediate vicinity of the APTA deposit and others identified through airborne geophysics, have not yet been tested by drilling except in Charrascala were 5 scout diamond drill holes totalling 3,045m have confirm the presence of strong gold anomalies along an 800m north-south corridor, including intersects of 3.43 g/t Au and 30.60 g/t Ag over 1.5m and 2.62 g/t Au and 14.30 g/t Ag over 0.90m in the FY18 drilling campaign.

Some of the most significant high-grade drill results within the so-called Aragon – Pastorera Trend Area (APTA) deposit of the Anzá exploration area, include:

DDH MAP-21: 18m of 14 g/t Au  
 DDH MAP-29: 12m of 11 g/t Au  
 DDH MAP-33: 22m of 10 g/t Au  
 DDH MAP-38: 41m of 14 g/t Au  
 DDH MAP-47: 13m of 2 g/t Au and 316 g/t Ag;  
 DDH MAP-48: 15m of 40 g/t Au  
 DDH MAP-54: 13.8m of 4.36  
 DDH MAP-54: 5.32m of 17.76  
 DDH MAP-55: 13.9m of 4.89  
 DDH MAP-59: 7m of 4.66  
 DDH MAP-60: 25m of 4.86  
 DDH MAP-62: 5.3m of 5.09  
 DDH MAP-62: 23m of 5  
 DDH MAP-70: 6m of 9.62 g/t Au  
 DDH MAP-70: 7m of 9.42 g/t Au  
 DDH MAP-70: 12m of 5.28 g/t Au

Selected holes with more detailed results from the FY18 drilling campaign are listed in the following table:

Hole Number	From	To	Interval	Au	Ag	Zn
	(m)	(m)	(m)	(g/t)	(g/t)	(%)
<b>MAP_54</b>	<b>41.4</b>	<b>59.3</b>	<b>17.9</b>	<b>2.96</b>	<b>26.97</b>	<b>0.32</b>
Including	41.4	43.2	1.8	10.25	76.9	1.22
Including	44.7	52	7.3	3.39	33.71	0.37

	<b>97.1</b>	<b>110.9</b>	<b>13.8</b>	<b>4.36</b>	<b>1.19</b>	<b>0.77</b>
Including	97.1	101.73	4.63	5.47	1.59	1.44
Including	107.6	110.9	3.3	10.35	0.83	0.14
	<b>144.5</b>	<b>149.82</b>	<b>5.32</b>	<b>17.76</b>	<b>1.55</b>	<b>4.74</b>
Including	144.5	145.7	1.2	8.71	0.9	0.8
including	145.7	146.7	1	37.96	1.3	0.7
including	146.7	148	1.3	19.76	1.4	0.25
including	148	148.87	0.87	17.63	1.5	7.56
including	148.87	149.82	0.95	5.31	2.9	17.54
	<b>149.82</b>	<b>159.1</b>	<b>9.28</b>	<b>1.84</b>	<b>0.94</b>	<b>2.26</b>
including	153	155	2	3.43	0.97	1.14
	<b>309.2</b>	<b>313.2</b>	<b>4</b>	<b>2.96</b>	<b>5.7</b>	<b>0.41</b>
<b>MAP_55</b>	<b>177</b>	<b>190.9</b>	<b>13.9</b>	<b>4.89</b>	<b>4.86</b>	<b>1.35</b>
Including	177	181	4	6.26	3.35	0.57
Including	185	190.9	5.9	7.24	8.73	2.78
<b>MAP_56</b>	<b>223</b>	<b>235</b>	<b>12</b>	<b>1.33</b>	<b>0.9</b>	<b>0.05</b>
Including	231	233	2	2.62	1	0.02
<b>MAP_58</b>	<b>246</b>	<b>250</b>	<b>4</b>	<b>1.1</b>	<b>3.45</b>	<b>0.15</b>
	<b>274.5</b>	<b>276.5</b>	<b>2</b>	<b>4.55</b>	<b>6.5</b>	<b>0.13</b>
<b>MAP_59</b>	<b>163.5</b>	<b>195</b>	<b>31.5</b>	<b>1.86</b>	<b>2.39</b>	<b>0.49</b>
Including	181	188	7	4.66	2.17	0.27
Including	192	194	2	3.4	3.55	0.56
	<b>230.5</b>	<b>242.5</b>	<b>12</b>	<b>1.96</b>	<b>2.73</b>	<b>0.5</b>
Including	230.5	236.5	6	3.15	1.75	0.63
<b>MAP_60</b>	<b>70</b>	<b>75.5</b>	<b>5.5</b>	<b>3.34</b>	<b>13.32</b>	<b>0.19</b>
	<b>165</b>	<b>192</b>	<b>25</b>	<b>1.81</b>	<b>0.87</b>	<b>0.33</b>
Including	180	186	6	2.92	0.67	0.2
Including	189	192	3	4.6	2.9	1.52
	<b>222</b>	<b>247</b>	<b>25</b>	<b>4.86</b>	<b>3.23</b>	<b>1.73</b>
Including	222	226	4	7.92	4.13	1.94
Including	235	238	3	9.54	5.37	0.33
Including	245	246	1	14.43	3.4	0.95
<b>MAP_62</b>	<b>60</b>	<b>65.3</b>	<b>5.3</b>	<b>5.09</b>	<b>12.06</b>	<b>0.37</b>
including	62.2	64.2	2	7.61	16.9	0.8
	<b>167.5</b>	<b>176.5</b>	<b>9</b>	<b>1.69</b>	<b>0.62</b>	<b>-</b>
	<b>217</b>	<b>240</b>	<b>23</b>	<b>5</b>	<b>3.37</b>	<b>0.4</b>
Including	220	221	1	16.02	9.4	0.81
Including	229.7	232.2	2.5	8.59	2.98	0.66
Including	237.7	240	2.3	14.94	7.88	0.13
<b>MAP_064</b>	<b>116</b>	<b>122</b>	<b>6</b>	<b>1.57</b>	<b>17.98</b>	<b>1.73</b>
	<b>147</b>	<b>151</b>	<b>4</b>	<b>0.84</b>	<b>0.6</b>	<b>0.04</b>
	<b>190,00</b>	<b>197</b>	<b>7</b>	<b>3.45</b>	<b>1</b>	<b>3.79</b>
Including	193	197	4	5.43	1.5	6.41

	<b>265</b>	<b>273.7</b>	<b>8.7</b>	<b>1.67</b>	<b>3.13</b>	<b>5.35</b>
Including	269	272	3	3.43	4.17	6.86
	<b>283.7</b>	<b>285.3</b>	<b>1.6</b>	<b>3.18</b>	<b>1.94</b>	<b>3.03</b>
	<b>292</b>	<b>294</b>	<b>2</b>	<b>2.04</b>	<b>1.75</b>	<b>5.9</b>
	<b>297</b>	<b>299</b>	<b>2</b>	<b>1.03</b>	<b>1.05</b>	<b>2.18</b>
<b>MAP_065</b>	<b>140</b>	<b>144.1</b>	<b>4.1</b>	<b>2.22</b>	<b>1.37</b>	<b>0.04</b>
	<b>283.3</b>	<b>288.45</b>	<b>5.15</b>	<b>1.24</b>	<b>5.75</b>	<b>0.11</b>
Including	284.3	286.1	1.8	2.7	10.3	0.09
	<b>312</b>	<b>313.5</b>	<b>1.5</b>	<b>1.05</b>	<b>0.6</b>	<b>0.54</b>
<b>MAP_067</b>	<b>161.7</b>	<b>168.1</b>	<b>6.4</b>	<b>1.74</b>	<b>2.52</b>	<b>0.34</b>
Including	162.8	165	2.2	4.14	3.05	0.79
	<b>176.4</b>	<b>192.2</b>	<b>15.8</b>	<b>1.07</b>	<b>2.04</b>	<b>0.06</b>
Including	179	184	5	2.24	3.28	0.13
	<b>235</b>	<b>243.2</b>	<b>8.2</b>	<b>1.36</b>	<b>0.78</b>	<b>0.38</b>
Including	237	241.2	4.2	2.09	0.87	0.49
<b>MAP_70</b>	<b>168</b>	<b>192</b>	<b>24</b>	<b>1.84</b>	<b>1.64</b>	<b>1.09</b>
Including	168	173	5	1.66	3.52	4.81
Including	183	184	1	23.66	3.6	0.04
Including	186	192	6	1.16	0.72	0.02
	<b>208</b>	<b>212</b>	<b>4</b>	<b>1.13</b>	<b>1.72</b>	<b>0.61</b>
	<b>221</b>	<b>233</b>	<b>12</b>	<b>5.28</b>	<b>2.48</b>	<b>1.1</b>
Including	222	226	4	6.38	3.1	2.28
Including	228	233	5	6.99	2.78	0.65
	<b>246</b>	<b>248</b>	<b>2</b>	<b>6.28</b>	<b>6.3</b>	<b>1.41</b>
	<b>256</b>	<b>267</b>	<b>11</b>	<b>6.35</b>	<b>2.74</b>	<b>1.55</b>
Including	256	263	7	9.42	3.93	2.27
	<b>284</b>	<b>298</b>	<b>14</b>	<b>5.02</b>	<b>2.23</b>	<b>1.1</b>
Including	286	292	6	9.62	2.9	1.75
	<b>302</b>	<b>307</b>	<b>5</b>	<b>1.57</b>	<b>3.94</b>	<b>1.67</b>

The intervals in the above table refer to the actual core length and may not represent the true width of the mineralization due to the limited geological knowledge of the deposit at this time.

An industry standard Quality Control and Quality Assurance program, which includes Standard Reference Materials, blanks and duplicates is established and followed during the drill program. Analysis of the QA/QC results so far indicates that the assay results from the drill program are within industry standards.

## Exploration

The Anzá gold project includes currently two small underground gypsum mines which have their environmental and mining permits already granted by the Colombian authorities. This constitutes a strategic element of the project as it gives the possibility to fast-track an extension of those permits for a future gold mining operation. These gypsum mines were operated by a third-party contractor until the first half of 2016, at which point OMI took over operatorship. The Company is currently evaluating the project and focussed on ensuring that access to the mines are safe and putting in place safety procedures in line with the Company's other operations and Colombian regulations.

During the end of FY 2016, the Company commenced density and exploratory metallurgical test work from core samples of historic drilling in order to advance the Anzá project with a limited use of capital. Further,

a preliminary geological model was constructed based on the review of the Waymar drilling campaign and the re logging of part of these core drill.

Results from the metallurgical work indicate average gold recoveries from samples tested ranging between 95.9 to 96.1 % utilizing a combination of gravity, concentration flotation and cyanidation processing. These results are in line with the metallurgical recoveries of the more advanced projects and producing mines of the mineralized belt where Anza project sits.

The FY18 drilling campaign was conceived with the specific strategic objectives of review mineralization style and continuity along the Aragón shear zone and at Depth, test the gold values associated to the gypsum mineralization towards the southern part of the APTA project and investigate the spatial coincidence of the geochemical and geophysical anomalies at Charrascale (Charrascale presents an equivalent linear coincidence between geophysical anomalies with APTA).

After drilling, it was confirmed that the mineralization is related to a hydrothermal system with a strong structural control (shear zone and breccias). Two possible mineralization events stand out: a possible first event of band and vein mineralization associated with units of lodolites and tuffs. A second possible event superimposed on the previous, associated with hydrothermal events. Areas of silicified breccias with presence of sulfides (Py + Cpy + Shp) in the matrix and fault zones.

Three units were identified as carriers of auriferous mineralization: silicified breccia matrix-portante with presence of Pyrite / sphalerite / chalcopirite disseminated in the matrix and veins; fault zones with sulfides and laminated lodolite or tuffs with quartz veins with sulphides.

The Gold domains were intercepted at depth in the north sector confirming a regular high-grade structure set with 400m down-dip continuity and open at depth. Further, continuity to the south was confirmed by the presence of high grade sectors along 2,500m north-south. In the north, the structure dips clearly 50-55° to the east and current exploration efforts are designed to define whether this is the case with the central and southern part of the APTA deposit. In the event that they have the same dip orientation observed in the north, there holds the potential to significantly increase the size of the mineralized body in these sectors.

Exploration drilling at Charrascale in FY18 intersected gold occurrences along an 800m north – south structural corridor. These mineralized intercepts range between 0.90m up to 3.8 m in thickness and are characterized by brittle veinlet zones with high sulphide content, mostly pyrite, with minor pyrrhotite, chalcopirite and sphalerite. Hydrothermal alteration includes intense silicification and propylitization, which tend to reflect the presence of structures that controls mineralization. The host rocks are intermediate to mafic volcanic flows, tuffs and 3 breccias of the Barroso Formation. The Barroso Formation is part of the igneous-sedimentary sequence that hosts many of the important mineral deposits of the Cauca Gold Belt, including the Buritica deposit.

#### **Exploration next steps:**

Based on the current status of the exploration and the need for advancing the rest of the Anzá project beyond APTA to an equivalent level of knowledge the Company envisages a regional surface exploration effort oriented to more fully understand the implications of the soil geochemical and geophysical anomalies at Anzá and bring them to an early drilling stage.

Through its wholly owned Minera Anza SA subsidiary, the Company controls over 10,600 hectares of tenements in Anza, Colombia; through 3 Mine Contracts: (T13635011 FIAM-06, 7248B, and IF5-11361X) exploration stage and includes 112 hectares of gypsum exploitation properties in the form of two underground mines (Pastorera and Aragon). Colombia mining legislation requires all mining exploitation licenses to be supported by an environmental license given by the Government: Resolution HX-1220 of December 20/2002 extended by Resolution 130HX 1301- 6196 of December 15/2013.

#### **ITEM 6 DIVIDENDS**

No dividends have been declared by the Corporation in the past five years or are planned at this point in time.

#### **ITEM 7 DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of the Corporation consists of an unlimited number of common shares of which 117,586,905 were issued and outstanding as at May 31, 2018, and 117,586,905 were issued and outstanding as of the date of this AIF.

Additionally, as of May 31, 2018, there were [8,943,924] stock options outstanding (May 31, 2017: 7,222,426), and as of the date of this AIF, there were 8,870,759 stock options outstanding. There were 8,370,251 warrants outstanding as of May 31, 2017 and 8,370,251 warrants outstanding as of date of this AIF.

<b>Stock options and warrants granted in the past 12 months (as of the date of this AIF)</b>			
<b>Date</b>	<b>Number</b>	<b>Strike Price (C\$)</b>	<b>Expiry Date</b>
November 30, 2017	1,925,000*	\$0.240	November 30, 2022
August 14, 2017	8,370,251	\$0.337	August 14, 2020

\*These represent stock options granted to directors, officers and employees of the Corporation.

Each shareholder is entitled to one vote for each common share held. The rights of the holders of common shares are equal in all respects and include the right to receive the remaining property of the Corporation upon dissolution.

## **ITEM 8 MARKET FOR SECURITIES**

### **8.1 Trading Price and Volume**

The common shares are traded on the Toronto Stock Exchange (“TSX”) and on the Alternative Investment Market of the London Stock Exchange under the trading symbol “OMI”. The following table sets out the high and low prices and trading volume of the Corporation’s common shares as reported by the TSX for the periods indicated.

<b>Period</b>	<b>Highest (CDN\$)</b>	<b>Lowest (CDN\$)</b>	<b>Total volume for the period</b>
May, 2018	0.050	0.085	4,676,800
April, 2018	0.125	0.075	2,482,500
March, 2018	0.12	0.145	1,363,400
February, 2018	0.135	0.185	1,182,500
January, 2018	0.21	0.17	1,166,700
December, 2017	0.175	0.210	1,052,700
November, 2017	0.280	0.185	1,287,000
October, 2017	0.290	0.230	740,600
September, 2017	0.300	0.270	2,656,000
August, 2017	0.275	0.220	2,653,400
July, 2017	0.240	0.210	1,001,200
June, 2017	0.265	0.230	949,700

### **8.2 Prior Sales**

On July 10, 2014, the Corporation issued 18,466,938 common shares as part of the Waymar acquisition.

On March 3, 2016, the Corporation issued 126,226 common shares and granted 193,880 stock options at a price of Cdn\$0.13 per common share in lieu of 20% of certain officers and directors standard cash compensation for the period commencing December 1, 2015 and ending February 29, 2016.

On June 1, 2016, the Corporation issued 83,777 common shares and granted 128,679 stock options at a price of Cdn\$0.18 per common share in lieu of 20% of certain officers and directors standard cash compensation for the period commencing March 1, 2015 and ending May 31, 2016.

On August 24, 2016, the Corporation issued 610,000 common shares due to the exercise of stock options.

On September 1, 2016, the Corporation issued 83,680 common shares and granted 54,480 stock options at a price of Cdn\$0.28 per common share in lieu of 20% of certain officers and directors standard cash compensation for the period commencing June 1, 2016 and ending August 31, 2016.

On October 31, 2016, the Corporation issued 280,000 common shares due to the exercise of stock options.

On November 30, 2016, the Corporation issued 2,181,186 common shares and granted 57,946 stock options at a price of Cdn\$0.235 per common share for annual option grants and also in lieu of 20% of certain officers and directors standard cash compensation for the period commencing September 1, 2016 and ending November 31, 2016.

On February 3, 2017, the Corporation issued 553,332 common shares due to the exercise of stock options.

On August 11, 2017, the Corporation issued 16,740,502 common shares and 8,370,251 share purchase warrants due to a capital raising agreement closed to start the drilling and associated activities at the Company's highly prospective Anzá gold project in Colombia.

On July 10, 2018, the Corporation agreed to issue 3,603,077 common shares to an international mining company for an advance of US\$250,000 in respect of a transaction aimed at to financing the next stages of exploration at the Anzá project in Colombia.

## ITEM 9 DIRECTORS AND OFFICERS

### 9.1 Name, Occupation and Security Holding

These tables set out the names and province/state and country of residence of the Corporation's directors and executive officers as at May 31, 2018 and their principal occupations during the last five years.

Directors as of May 31, 2018		
Name and province or state and country of Residence	Position in the Corporation	Principal Occupation for the Last Five Years
John Walmsley London, England	Non-Executive Chairman (since July 2013)	Mr. Walmsley is currently a Non-Executive Director and Chairman of the Audit committee of Pantheon Resources plc. And Executive Chairman of the Consilience Energy Advisory Group Ltd. He was Chairman of the UK Oil Industry Accounting Committee. He was an Executive Director of Enterprise Oil plc, Chief Executive of Hardy Oil and Gas plc. And he was Non-Executive director and chairman of the Audit Committee of Seaboard plc.
Roger Davey <sup>(1)</sup> London, England	Non-Executive Director (from 2007 to June 19, 2018)	Mr. Davey is currently a director of Condor Gold, Atalaya Mining, Tharisa and Central Asia Metals. Until December 2010, he was an Assistant Director and the Senior Mining Engineer at N M Rothschild (London) in the Mining and Metals project finance team. Roger holds two MSc degrees, one from Imperial College, London.
Hong Dih Lee Vancouver, Canada	Non-Executive Director (since July 2014)	Mr. Lee joined the Corporation in July 2014. He was Chief Financial Officer and Corporate Secretary of Eastern Platinum Ltd. from 2007 to 2016. Mr. Lee obtained his Chartered Accountant designation with Deloitte LLP and holds an MBA from the University of British Columbia. He has more than 30 years of experience in finance, accounting, treasury and administration in public mining companies. Prior to Eastern Platinum, he held senior financial positions with TSX listed companies Northern Orion Resources Inc., Ivanhoe Mines Ltd. and Diamond Fields Resources Inc.
Jorge Aceituno Santiago, Chile	Chief Operating Officer and Director (since November 2016)	Jorge has over 30 years' experience working as a geologist and senior manager for South American mining companies, including time spent as General Manager of Operations for Orosur between and with Barrick Gold from 2008 to December 2012, ultimately as General Manager of Operations for Barrick's Pascua-Lama project, and before that at Barrick's Zaldívar mine. Prior to that, Jorge had served in various roles including General Manager of Compañía Minera Maricunga, Superintendent of Mines at Compañía Minera Zaldívar, production geologist for Codelco at the Chuquicamata mine, and as an exploration geologist for Renison Goldfields in Australia. Jorge is a former Director of Starmine Ltda and has an MBA from Universidad Católica del Norte.
Ignacio Salazar Santiago, Chile	Chief Executive Officer (since March 2013) and Director (since August 2008)	Mr. Salazar has been the CEO of Orosur Mining since March 2013. He joined the Corporation in September 2008 as Finance Director. He has more than 25 years of international experience in mining and oil and gas (O&G). Ignacio is President of the Chamber of Mines of Uruguay since 2009. Prior to Orosur, he worked in different functions in Finance and New Business Development for the Royal Dutch Shell group living in several countries in Europe and South America. Among others, he was CFO of the multi-billion Shell O&G businesses in Denmark and Germany, in charge of O&G New Business Development in Argentina and in several roles in Head offices both in London and in the Hague

**Directors as of May 31, 2018**

Name and province or state and country of Residence	Position in the Corporation	Principal Occupation for the Last Five Years
		(Holland). He holds a MSc in Economics and Business Administration and a Master Degree in Law, both from the University of Deusto in Spain.
Robert Schafer Salt Lake City, Utah	Non-Executive Director (since June 2018)	Mr. Schafer joined the Corporation in June 2018 and has nearly 40 years of experience in the mineral industry, working in the international sector with both major and junior mining companies. He has held executive and senior management positions with Hunter Dickinson Inc., Kinross Gold Corp., and BHP Minerals over the past 20 years. Throughout his career Mr. Schafer has worked internationally, with notable experience in the far east of Russia, Southern Africa, South America and Australia. His work has included the structuring and implementation of successful exploration strategies, project reviews and valuations leading to acquisitions, and the management of local and expatriate exploration teams operating in a wide variety of geologic environments. In addition, he is the Past-President of the PDAC and Past-President of the Canadian Institute of Mining and Metallurgy (CIM) in Canada, and a Past President of the Mining and Metallurgical Society of America and the Geological Society of Nevada in the USA.

Note:

(1) Roger Davey resigned and Robert Schafer was appointed as Director of the Company on June 19, 2018.

Directors Holding Information (as of the date of this AIF)				
Directors	Shares	% Holding	Stock Options	Strike Price (CND)
John Walmsley (Non-Executive Chairman)	140,350	0.119%	300,000	\$ 0.230
			400,000	\$ 0.185
			125,000	\$ 0.105
			35,251	\$ 0.130
			23,396	\$ 0.180
			15,215	\$ 0.280
			108,577	\$ 0.235
			90,000	\$0.240
Ignacio Salazar (Chief Executive Officer)	723,000	0.615%	500,000	\$ 0.230
			700,000	\$ 0.185
			200,000	\$ 0.105
			135,580	\$ 0.130
			89,985	\$ 0.180
			58,517	\$ 0.280
			190,462	\$ 0.235
			150,000	\$ 0.235
Jorge Aceituno (Executive Director)	-	0%	150,000	\$ 0.235
			100,000	\$ 0.240
H.D. Lee (Non-Executive Director)	64,386	0.055%	300,000	\$ 0.185
			125,000	\$ 0.105
			75,000	\$ 0.235
			75,000	\$ 0.240
Robert Schafer (Non-Executive Director) <sup>(1)</sup>	-	0%	-	-
<b>Total</b>	<b>927,736</b>	<b>0.789%</b>	<b>4,121,983</b>	

Note:

(1) Robert Schafer was appointed as Director of the Company on June 19, 2018.

**Senior Executives as of May 31, 2018**

Name and province or state and country of Residence	Position in the Corporation	Principal Occupation for the Last Five Years
Ignacio Salazar Santiago, Chile	Chief Executive Officer	Mr. Salazar is the CEO of Orosur Mining since March 2013. He joined the Company in September 2008 as Finance Director. He has more than 25 years of international experience in mining and oil and gas (O&G). Ignacio is President of the Chamber of Mines of Uruguay since 2009. Prior to Orosur, he worked in different functions in Finance and New Business Development for the Royal Dutch Shell group living in several countries in Europe and South America. Among others, he was CFO of the multi-billion Shell O&G businesses in Denmark and Germany, in charge of O&G New Business Development in Argentina and in several roles in Head offices both in London and in the Hague (Holland). He holds a MSc in Economics and Business Administration and a Master Degree in Law, both from the University of Deusto in Spain.
Jorge Aceituno Santiago, Chile	Chief Operating Officer and Director (since November 2016)	Jorge has over 30 years' experience working as a geologist and senior manager for South American mining companies, including time spent as General Manager of Operations for Orosur between and with Barrick Gold from 2008 to December 2012, ultimately as General Manager of Operations for Barrick's Pascua-Lama project, and before that at Barrick's Zaldívar mine. Prior to that, Jorge had served in various roles including General Manager of Compañía Minera Maricunga, Superintendent of Mines at Compañía Minera Zaldívar, production geologist for Codelco at the Chuquicamata mine, and as an exploration geologist for Renison Goldfields in Australia. Jorge is a former Director of Starmine Ltda and has an MBA from Universidad Católica del Norte.
Alejandra Lopez Montevideo, Uruguay	Chief Financial Officer	Alejandra joined the Company in July 2008, having previously held the role of senior auditor at Ernst & Young (2005-2008). Alejandra holds an MBA from the Universidad de la República in Uruguay and has experience in finance, accounting, treasury and reporting.
Ryan Cohen Vancouver, Canada	Vice President, Planning & Corporate Development and Corporate Secretary	Mr. Cohen has worked in the mining sector for over 10 years across a broad range of roles including investment banking, investor relations, corporate advisory, corporate development and operations. He has previously held management roles with other companies in the natural resource sector. Prior to that, he was a Director, Equity & Debt Capital Markets at Canaccord Genuity. During his time with Canaccord, he advised on approximately US\$7.5 billion worth of transactions, including financings, M&A, corporate advisory and debt & commodity related finance.
Fernando Fuentes Minas Corrales, Uruguay	General Manager, San Gregorio Operations	Fernando has over 25-year experience in the mining sector across a broad range of positions. He has worked in Orosur for 20 years, developing a strong team and a successful management track record at minesite. Fernando has been a key component in projects including the San Gregorio open pit gold mine, Arenal open pit gold mine, Arenal underground gold mine and Corrales River diversion.
Jerónimo Jáñez Minas Corrales, Uruguay	Exploration Manager - Uruguay	Jerónimo is a geologist with 10 years of experience, predominantly as a mine geologist. He has led gold and base metal production projects, both open pit and underground, in Argentina and Uruguay. Jerónimo's team in Uruguay are responsible for both operational and exploration activities, including ore control, brownfield and greenfield exploration activities. Jerónimo has experience in mineral exploration, resource modeling and production of numerous deposits and mines. Jerónimo holds a degree in Geology from La Plata National University.
Joaquín L. Sarroca Montevideo, Uruguay	Legal Counsel	Joaquín commenced working for Orosur in May 2014. Joaquín earned his Master of Laws in International Business Law (LLM), from Queen Mary University of London and is also a Uruguayan-qualified lawyer (Universidad de la República). He has over 10 years of legal experience at recognized law firms in both Uruguay and London where he advised on commercial litigation, corporate governance, business law and contracts to international and local corporations from different industries, including energy and mining.
Héctor M. López Minas Corrales, Uruguay	Administration and Budget Manager	Héctor has worked in the mining sector for over 12 years across a broad range of roles including, finance, accounting, treasury, budgeting and new business development. Héctor is from Minas de Corrales, the closest town to the Company's San Gregorio mine and joined Orosur in 2004. Prior to that, Hector worked for Rea Gold, the Company which first developed the San Gregorio mine. Hector possesses a deep knowledge and understanding of the mine and local area.

Each director is elected to hold office until the next annual meeting of shareholders of the Corporation or until his successor is elected or appointed.

Committees of the Corporation's board of directors consist of the Audit Committee, the Remuneration Committee, the Corporate Governance and Nominations Committee and the Health, Safety and Environment Committee. Additional information with respect to such committees is contained in the management information circular and Annual Report of the Corporation.

As of the date of this AIF, the number and percentage of common shares of the Corporation beneficially owned or controlled or directed, directly or indirectly, by all directors of the Corporation as a group was 927,736 or 0.79% of the total issued and outstanding shares of the Corporation.

## **9.2 Cease Trade Order, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Corporation, no director or executive officer of the Corporation is as of the date hereof, or has been, in the last ten years, a director or chief executive officer or chief financial officer of an issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days, (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days, or (c) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of the Corporation, no director or executive officer of the Corporation and no shareholder holding sufficient number of securities of the Corporation to affect materially the control of the Corporation (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company including the Corporation that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under the legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or such shareholder.

To the knowledge of the Corporation, no director or executive officer of the Corporation, and no shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, (a) has been subject to any penalties or sanctions imposed by a court relating to securities or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **9.3 Conflicts of Interest**

To the knowledge of the Corporation, no director or officer of the Corporation or of any subsidiary of the Corporation has an existing or potential material conflict of interest with the Corporation or any of its subsidiaries.

Loryser SA, the Company's Uruguayan operating subsidiary, started a reorganisation process in June 2018. As a consequence, the directors and officers of Loryser have to manage this subsidiary in the interest of the creditors and in combination with the interventor appointed by the reorganisation judge. They are directors and officers as well of the Orosur Group. While the majority of the interests of Loryser are aligned with the interests of the Orosur Group, there may be circumstances, namely in relation to intercompany services, fees, obligations and liabilities where a conflict of interest may arise.

Apart from this, to the knowledge of the Corporation, no director or officer of the Corporation or of any subsidiary of the Corporation has any other existing or potential material conflict of interest with the Corporation or any of its subsidiaries.

## **9.4 Amendment Instrument for National Instrument 58-101 Disclosure of Corporate Governance Practices**

### **9.4.1 Director Term limits**

The Company has the following written policy in the 4.03 of its Director Handbook: "Each Director named in the Notice of Director filed at the time of continuance shall hold office from the date of the Certificate of Continuance until the first Meeting of shareholders thereafter. An election of Directors shall take place at such first Meeting of Shareholders and at each annual meeting of Shareholders thereafter and all the Directors then in office shall retire but, if qualified, shall be eligible for re-election. A Director shall retain office only until the election of his successor. The number of Directors to be elected at any such meeting shall be the number of Directors then in office unless the Directors or the Shareholders otherwise determine. The election shall be by ordinary resolution of the Shareholders. If an election of Directors is not held at the proper time, the incumbent Directors shall continue in office until their successors are elected.

### **9.4.2 Representation of Women in the Board and in Executive Officer appointments**

The Board has not adopted any policies that specifically address the appointment of female officers and or members of the Board of Orosur. The Board believes these appointments should be made on the basis of the skills, knowledge, character and experience of the individual candidates and the requirements of the Company. Therefore, the Company has not adopted targets regarding the representation of women in the Board nor in executive officer positions. As of the date hereof, one of Orosur's Board members and of Orosur's executive officers is female, Alejandra Lopez, the Company's Chief Financial Officer.

## **ITEM 10 LEGAL PROCEEDINGS**

### **10.1 Legal Proceedings**

The Corporation may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect the Corporation's financial position, results of operations or cash flows.

### **10.2 Regulatory Actions**

The Corporation has not been subject to (a) any penalties or sanctions imposed by any court relating to securities legislation or by a securities regulatory authority during FY 2018 and up to the date hereof; or (b) any penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision.

The Corporation has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority in FY 2018 and up to the date hereof.

## **ITEM 11 INTEREST OF MANAGEMENT AND OTHER IN MATERIAL TRANSACTIONS**

The Corporation is not aware of any material interests, direct or indirect, of any director, executive officer, any shareholder who beneficially owns, or controls or directs, directly or indirectly more than 10% of the issued and outstanding common shares of OMI or any known associate or affiliates of such persons in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

## **ITEM 12 TRANSFER AGENT AND REGISTRAR**

Computershare Trust Company of Canada with offices at 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9, Canada, is the transfer agent and registrar for OMI's common shares.

## **ITEM 13 MATERIAL CONTRACTS**

Below is a list of material contracts entered into by the Corporation, including certain contracts entered into in the ordinary course of business, within the last financial year or before the last financial year but which remain in effect:

In Chile, the Company is discontinuing its operational unit. in respect of the Anillo project, Asset Chile forfeited the 16% interest it had earned and Fortune Valley returned the project to Codelco. The Company is in the final stages of closing the transaction with Codelco.

a) In October 2009, Fortune Valley Resources Inc, signed an option agreement with Anglo American Norte S.A. a subsidiary of Anglo American plc. To acquire an interest in the Pantanillo property (the “Pantanillo Option Agreement”) Under the Pantanillo Option Agreement, the Corporation must spend US\$4,000,000 on development work and make cash payments of US\$850,000 over a period of three years to acquire 100% interest in the Pantanillo property, located in Region III of Chile. The vendor will receive a 3.5% net smelter return royalty on future production from the property. An annual minimum royalty of US\$300,000 is payable in years four and five, increasing to US\$1,000,000 from year six. To date, US\$550,000 has been paid and the Corporation has incurred in US\$8,989,000 in exploration expenditure including over 12,815m of drilling.

On May 25, 2017, Anglo and the Company executed the formal re-purchase of the Pantanillo properties by Anglo in line with the decision made to discontinue with the project. The Company returned the geological data of Pantanillo to Anglo during June 2017.

b) On August 26, 2011, the Corporation signed the Definitive Acquisition Agreement to acquire 100 percent interest of Talca gold property (“**Talca**”) in Chile’s Region IV. Acquisition payments consist of US\$3.84M over approximately 20 months for a 25% interest in Talca with an option to acquire the remaining 75% for US\$3.78M over a five-year period and 1% net smelter royalty on production. The Company announced in December 2013 the completion of the sale of its Talca properties in Chile to a private party (the “Buyer”) based in Chile. In FY 2015, after limited underground development and exploration, the Buyer returned the project to Orosur.

During FY 2017, the Company conducted a property review to try to generate value from this asset. Some field work was undertaken to raise relevant information and the property was presented to potential partners and investors.

On July 2018, the company sold its 25% remaining interest in Talca for a consideration of \$120. With that sale, the Company is left with neither an interest or obligation in Talca.

c) On May 12, 2014, OMI entered into an agreement for the acquisition of 100% of Waymar Resources Ltd. The acquisition was structured as an amalgamation pursuant to a plan of arrangement wherein Orosur would acquire all of the outstanding common shares of Waymar in exchange for common shares of Orosur on the basis of 0.375 of an Orosur common share for each Waymar share. In addition, upon completion of the Acquisition, outstanding Waymar warrants and options would be exchanged for warrants and options of Orosur subject to adjustments to the number and exercise price in accordance with the 0.375 exchange ratio. The acquisition was completed on July 10, 2014 and as a result, Orosur issued 18,466,938 new shares and existing Waymar options were converted into 526,500 new Orosur stock options.

d) On August 11, 2017, the Corporation issued 16,740,502 common shares and 8,370,251 share purchase warrants due to a capital raising agreement closed to start the drilling and associated activities at the Company’s highly prospective Anzá gold project in Colombia.

## **ITEM 14 INTEREST OF EXPERTS**

### **14.1 Name of Experts**

Unless stated for each specific section, this AIF has also been updated by the Corporation to the date by Miguel Fuentealba, a consultant of Orosur and “qualified person” under NI 43-101.

Dr. Armando Simón, Ph.D., P.Geo (APGO), Paula Larrondo, Member, (AusIMM) and Joyce Maycock, P.Eng. (APEGBC), all of AMEC and each of whom is a “qualified person” as that term is defined in NI 43-101, authored the 2010 release of the Pantanillo Technical Report.

Dr. Armando Simón, MAIG, R.P. Geo, Ms. María-Angélica González, RM CMC, Mr. Marcelo Hernando, RM CMC, Ms. Joyce Maycock, P.Eng, Mr. Hans Göpfert, RM CMC. and Mr. Dan Russell, P.Geo. all from

AMEC International Ingeniería y Construcción Limitada, authored the 2012 version of the Pantanillo Technical Report.

For the QPs for Mineral Resources and Reserves, please refer to keynotes on the tables contained within the technical sections of this AIF.

#### **14.2 Interest of Experts**

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, are the independent auditors of the Corporation (in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario) for financial statements for the year ended May 31, 2018 which are incorporated into and form an integral part of this AIF.

Mr. Miguel Fuentealba acts as QP for certain of the Corporation's Mineral Resources and Reserves. Mr. Fuentealba's. He does not hold common shares of the Corporation, directly or indirectly, or through stock options, is not material and represents less than 1% of the Corporation's outstanding share capital.

None of the other experts named in the foregoing section, or any designated professionals (as defined in Form 51-102F2) of MDA or AMEC, received or held any securities of the Corporation at the time that the respective report was prepared, or will receive any securities of the Corporation.

### **ITEM 15 INFORMATION CONCERNING THE CORPORATION'S AUDIT COMMITTEE AND EXTERNAL AUDITOR**

The Corporation's Audit Committee has various responsibilities as set forth in Multilateral Instrument 52-110 made under securities legislation, among such responsibilities being a requirement that the Audit Committee establish a written charter that sets out its mandate and responsibilities.

#### **15.1 The Audit Committee Charter**

The text of the Corporation's Audit Committee Charter (the "Charter") is set out in Annexure 1 to this AIF.

#### **15.2 Composition of the Audit Committee**

The following are the current members of the Committee:

John Walmsley (Chairman)	Independent <sup>(1)</sup>	Financially literate
Robert Schafer	Independent <sup>(1)</sup>	Financially literate
Hornq Dih Lee	Independent <sup>(1)</sup>	Financially literate

<sup>(1)</sup>As defined by Multilateral Instrument 52-110 (MI 52-110).

#### **15.3 Relevant Education and Experience**

For information on the education and experience of the members of the Audit Committee, please refer to details under the heading "Directors and Officers" referred to herein.

#### **15.4 Pre-Approval Policies and Procedures**

All services to be performed by the Corporation's independent auditor must be approved in advance by the Audit Committee. The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee of all audit and non-audit services provided by the external auditor, other than any de minimis non-audit services allowed by applicable law or regulation.

## 15.5 External Auditor Service Fees

Fiscal Year End	Audit Fees (\$)	Audit Related Fees <sup>(1)</sup> (\$)	Tax Fees <sup>(2)</sup> (\$)	All Other Fees <sup>(3)</sup> (\$)
2018	165,562	-	6,450	-
2017	164,165	11,097	4,042	30,654
2016	168,589	13,783	20,132	31,012

**Notes:**

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.
- (4) The above fees include fees billed by the Corporation's external auditors as well as fees provided by the external auditors' affiliates with respect to the Corporation's subsidiaries.

## ITEM 16 ADDITIONAL INFORMATION

Additional information on the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information including directors' and officers' remuneration and indebtedness, principal holders of OMI's securities and options to purchase securities, where applicable, will be contained in OMI's Management Information Circular to be prepared for the Annual General Meeting of the shareholders of OMI. Additional financial information is provided in OMI's audited financial statements and management discussion and analysis for the year ended May 31, 2018.

## **ANNEXURE 1 – AUDIT COMMITTEE CHARTER**

### **Composition**

1. The Committee will be comprised of no less than three directors of the Corporation, all of whom must be independent. Unless waived, 24-hour notice must be given. Quorum of meetings shall be a majority of members. Meetings may be by telephone or in person.
2. The length of term to be served by directors on the Committee will be determined by the Board of Directors of the Corporation (the “Board”), giving consideration to the benefits of periodic rotation of committee membership.
3. One of the members will be appointed Chairman of the Committee by the Board.
4. A secretary to the Committee will be appointed by the Chairman of the Committee. The Secretary of the Committee may or may not be a member of the Committee.
5. With the approval of the Board, the Committee may retain persons having special expertise to assist the Committee in fulfilling its responsibilities.

### **Responsibilities**

The responsibilities which the Committee is required to satisfy itself of, on behalf of the Board, are to:

1. recommend to the Board:
  - (i) the external auditor to be nominated for the purpose of preparing or issuing an auditors’ report or performing other audit, review or attest services for the Corporation; and
  - (ii) the compensation of the external auditor.
2. oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditors’ report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between the management and external auditor regarding financial reporting;
3. pre-approve all non-audit services to be provided to the Corporation or to its subsidiaries by the Corporation’s external auditor;
4. ensure that the Corporation’s annual financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to the Board whether the annual financial statements should be approved;
5. ensure that the information contained in the following financial publications is not significantly incomplete, misleading or erroneous:
  - (i) Management Discussion and Analysis (“MD&A”)
  - (ii) Annual Information Form (“AIF”)
  - (iii) Quarterly Financial Information
  - (iv) Prospectuses
6. review the Corporation’s financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information;
7. ensure that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than the public disclosure referred to in subsection (e), and must periodically assess the adequacy of those procedures.
8. ensure that there are established procedures for:

9. the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
  - (i) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
  - (ii) review and approves the Corporation's policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.
10. ensure that the Corporation has implemented appropriate systems of internal control over financial reporting, and appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements; and

### **Meetings**

1. The Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements and for meetings with the external auditors, prior to a submission of observation and recommendations to the Board. Additional meetings may be held as deemed necessary by the Chairman of the Committee or as requested by any member or the external auditors.

### **Reporting**

1. The minutes of all meetings of the Committee, signed by the Chairman of the Committee and the Secretary to the Committee, are to be provided to the Board. Oral reports on recent matters not yet minuted are to be provided to the Board by the Chairman of the Committee.
2. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary to the Committee.