

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

For the years ended May 31, 2018 and 2017

This MD&A accompanies, and should be read in conjunction with, the audited consolidated financial statements and accompanying notes of the Company for the two years ended May 31, 2018 and 2017. Additional information relating to the Company, including press releases, have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online at www.sedar.com or on the Company's website at www.orosur.ca. The Company's financial statements and the financial data presented in this document have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A is effective as of August 29, 2018.

1. DESCRIPTION OF BUSINESS

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

In Uruguay, the Company operates the San Gregorio gold mining complex, the only producing gold operation in the country, in the northern Department of Rivera. Orosur has been exploring in Uruguay since 1996 and acquired the San Gregorio operation in October 2003. During this fiscal year, the Company was operating several small open pits and the San Gregorio West underground mine ("SGW UG") in the San Gregorio district. On June 14, 2018 the Company applied for Reorganization Proceedings and creditor protection over Loryser S.A. ("Loryser"), the Company's primary operating subsidiary, in the best interests of Loryser, the Company and their stakeholders. Creditor protection was applied for due to financial liquidity constraints caused by the scarcity of alternative sources of ore at SGW UG.

In Colombia, the Company has an exploration program in its wholly owned Anzá gold project located in the Middle Cauca Belt in Antioquia, Colombia which hosts such projects as Buriticá, Titiribí, Marmato and La Colosa. Recent activities include the drilling of over 9,000m of diamond core, generating a geological model, carrying out initial metallurgical tests and taking over operatorship of the two underground gypsum mines in the Anzá concession, each of which have environmental and mining permits in place.

In Chile, the Company had an exploration program on the Anillo property, optioned from Corporación Nacional del Cobre de Chile ("Codelco"), Chile's national mining company, located close to Antofagasta, in

Region II, Northern Chile. On May 24, 2018, the Company announced its decision to terminate the option agreement on its Anillo gold exploration project with Codelco. The Company also owns 25% of the Talca exploration asset located close to La Serena, north of Santiago. During July 2018 the Company sold its 25% interest of Talca. The Company is in the process of discontinuing the operations in Chile.

2. KEY RESULTS

Financial and operational highlights for the year ended May 31, 2018 (“FY18”) include:

- On June 14, 2018 the Company applied for the Loryser Reorganization Proceedings and creditor protection, in the best interests of Loryser, the Company and their stakeholders. The Reorganization Court (the “Court”) declared the start of the Loryser Reorganization Proceedings on June 18, 2018. The scarcity of alternative sources of ore made it difficult to reverse the situation, resulting in financial liquidity constraints. 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 were not, and are still at present, not yet available. Orosur and its subsidiaries (excluding Loryser) are not included in the Loryser Reorganization Proceedings.
- Loryser continued production at SG UG until the end of July, since which point, it has been in the process of placing the mine in care and maintenance. Loryser will remain 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.
- Production for the year was 27,586 oz of gold, in line with the updated guidance (27,000 - 30,000 oz), compared to 35,371 oz produced in the previous year. The material mined and processed at San Gregorio was of a lower grade than anticipated. This led to higher costs and reduced gold production.
- During the year, 875,440 tonnes of ore were processed at a grade of 1.01 g/t with recovery averaging 94.97%. This compares to 978,529 tonnes at a grade of 1.21 g/t with recovery averaging 93.41% for FY17.
- The average gold price realized for the year was \$1,280/oz (FY17: \$1,258/oz), an increase of 2%.
- Cash operating costs for the year were \$970/oz (FY17: \$829/oz), an increase of 17%, due primarily to lower production and lower ore grades. These results are in line with the updated guidance of US\$900 – 1,000oz for the year.

- All-in-sustaining costs (“AISC”)¹ were \$1,453/oz (FY17: \$1,228/oz). The increase was due to the additional brownfield exploration and higher unit operating costs from the lower ore grades processed during the period.
- Restructuring costs of \$2,840 (FY17: \$nil) were recognized as a provision for layoffs representing a high reduction in staff and leaving the Company with 70 employees at the end of July, as one of the many initiatives to preserve cash.
- The Company invested \$9,834 in capital and \$5,183 in exploration (FY17: \$10,834 and \$2,604, respectively). The Company significantly increased its investment in exploration a result of the current drilling campaign in Colombia.
- 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 flow generated by operations before working capital investment was \$3,361 (FY17: \$9,664).
- 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. None of the cash in Loryser, is accessible to the Company since the declaration of the creditor protection process as described in Note 25 of the consolidated financial statements. The Company is required to seek additional sources of funding to cover corporate costs and Colombia holding costs. In connection with this, and as announced on July 10, 2018, an international mining company has advanced \$250 explained below.
- 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 a drill rig.
- 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.
- On July 2018, the Company sold its remaining 25% interest in Talca for a consideration of \$120. With this sale, the Company is left with no interest or obligation in Talca.
- Regarding the Pantanillo project, Anglo disputed the payment of some minimum royalties adding to \$3,000 and requested an arbitration which is ongoing as of the date of these financial statements. The claim is exclusively against Fortune Valley (Company’s wholly owned subsidiary) and there are enough arguments to support the Company's position, following advice from its Chilean lawyers, management concluded that the payment does not apply and is unlikely to require an outflow of resources for the Company.

¹ Non-IFRS measures

- In Colombia, the Company reported high grade results of its 2018 step-out drilling campaign at APTA including 5.00g/t Au over 23m, 4.89 g/t over 13.9m, 4.86 g/t Au over 25.0m, 9.42g/t Au over 7m, 9.62g/t over 6m and 5.28 g/t over 12m.
- Drilling extended the mineralized zone at APTA down dip, up dip and along strike. Mineralized zones remain open along strike and at depth at APTA.
- To date, Orosur has reported 18 holes (MAP_54 to MAP_71) totaling 6,314 metres at APTA and at June 7, 2018 announced the completion of a further 3,045m of diamond drilling at its Charrascala target successfully encountering gold in the system, 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.
- The Company continues to advance discussions to finance the next stage of exploration at the Anzá project in Colombia. In connection with these discussions, and as announced on July 10, 2018, a sophisticated international mining company for total proceeds of \$250 subscribed for 3,603,077 common shares of Orosur at a price of CAD\$0.091 per share. The subscription price represented a 102% premium to the closing price of the Company's common shares on the Toronto Stock Exchange on July 9, 2018.

3. OUTLOOK AND STRATEGY

As a consequence of the weaker mineralization encountered at our SGW UG mine in Uruguay and the consequently difficult financial situation of the Company, the Board adopted an aggressive strategic plan which has been implemented during FY18, with the main objective to restructure its businesses, recapitalize and transform the Company by reducing corporate structure and costs in Uruguay, advancing Colombia and reducing its activities in Chile. In this process, Orosur has been actively considering options and potential partnerships to create shareholder value and is currently in advanced discussions on several alternatives to bolster capital resources to develop its assets.

During FY19, the Company expects to produce between 3,000 - 4,000 ounces of gold, with operating costs of US\$1,000 - US\$1,100 per ounce from the San Gregorio mine in Uruguay in FY19. This production includes the months of June and July 2018, after which all production has been ceased and is not expected to resume in FY19. All future production shall depend on material developments in the funding and permitting of the Veta A Underground project in Uruguay and the ongoing discussions with the government and third parties.

Orosur is focusing on financing the next stages of exploration of the high grade Anzá project in Colombia and 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 focus of the Company during FY19.

4. OVERVIEW OF FINANCIAL RESULTS

4.1 Selected annual information

For the year ended May 31, 2018, the Company reported a net loss of \$36,867 (\$0.32 per share), compared to a profit of \$2,678 (\$0.03 per share) for the previous year. The contribution margin from mining operations decreased from \$11,098 in 2017 to \$7,831 in 2018. The decrease was due to higher operating costs as a consequence of the processing of more tonnes of ore at lower respective grades. Contribution margin is a non-IFRS measure which is explained in section 11 of this MD&A.

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

Table 1 – Profit/(loss) breakdown

(\$'000)	2018	2017	2016	Ref.
Revenue	37,100	44,226	42,866	4.2
Cost of sales (except depreciation)	(29,269)	(33,128)	(36,098)	4.4
Contribution margin	7,831	11,098	6,768	
Mine site depreciation	(8,901)	(7,143)	(5,975)	4.5
Gross profit/(loss)	(1,070)	3,955	793	
Exploration and evaluation costs written off	(5,999)	(131)	-	
Exploration expenses	(207)	-	(39)	
Obsolescence provision	(4,678)	(113)	-	
Impairment of assets	(11,083)	-	(4,229)	5.3
Corporate expenses	(2,231)	(2,037)	(2,150)	4.6
Restructuring costs	(2,840)	143	(1,709)	
Other net gains	928	520	4,527	4.6
Profit/(loss) before income taxes	(27,180)	2,337	(3,158)	
Income tax (provision) recovery	(3,121)	557	1,948	4.7
Net profit/(loss) after taxes	(30,301)	2,894	(1,210)	
Cumulative translation adjustment	(22)	93	(727)	
Total comprehensive profit/(loss) for continuing operations	(30,323)	2,988	(1,937)	
Loss from discontinued operations	(6,544)	(310)	-	
Total comprehensive profit/(loss) for the year	(36,867)	2,678	(1,937)	
Basic profit/(loss) per share				
Continuing operations	(0.26)	0.03	(0.01)	
Discontinued operations	(0.06)	(0.00)	-	

Table 2 shows the primary movements in the balances of current and non-current assets and liabilities, financial debt and shareholders' equity as at May 31, 2018 compared to May 31, 2017 and 2016.

Table 2 – Selected information from the statements of financial position

(\$'000)	2018	2017	2016
Total non-current assets	16,607	37,731	30,661
Total current assets	9,160	18,033	18,159
Total assets	25,767	55,764	48,820
Total liabilities	25,276	20,569	16,625
Total financial liabilities	1,941	403	352
Total shareholders' equity	491	35,195	32,195

4.2 Sales

Total sales included gold and silver sales as shown in Table 3. Total sales of gold for 2018 were \$36,761 for 28,727 oz of gold sold at an average price of \$1,280/oz compared to \$43,717 for 34,738 oz at an average price of \$1,258/oz in the previous year. Silver sales were lower than previous year.

Table 3 - Sales composition

2018	\$ 000's	Oz	\$ /oz
Gold	36,761	28,727	1,280
Silver	339	20,246	17
Total Sales	37,100		

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

4.3 Production statistics

Key production statistics are shown in Table 4. FY18, 3,276,453 tonnes were mined at San Gregorio operation (FY17: 4,088,407 tonnes), comprising of 2,516,560 tonnes of waste (FY17: 3,154,434 tonnes) and 759,893 tonnes of ore (FY17: 933,973 tonnes) with an average grade of 1.10 g/t (FY17: 1.24 g/t). The final strip ratio for the year was 3.31 (FY17: 3.38).

Approximately 52% of the ore mined during the current period came from SGW UG underground operation, and 48% from Veta Rey, Perú open pit and other small open pits.

Table 4 - Key production statistics

		2018	2017
Waste (*)	tonnes (000's)	2,517	3,154
Ore	tonnes (000's)	760	934
Total mined	tonnes (000's)	3,276	4,088
Grade mined	Grams /tonnes Au	1.10	1.24
Strip ratio	Waste/Ore	3.31	3.38
Ore processed	tonnes (000's)	875	979
Grade processed	tonnes (000's)	1.01	1.21
Recovery	%	94.97	93.41
Gold produced (**)	Ounces	27,586	35,371

(*) Includes waste mined for production and development

(**) Includes 905 ounces contained in the stocks of carbon

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

Table 5 - Quarterly production statistics

2018	Q1	Q2	Q3	Q4	Total
Ore processed (tonnes)	268,964	204,315	240,432	161,729	875,440
Grade processed (g/t Au)	0.96	1.14	0.93	1.03	1.01
Recovery (%)	93.64	94.49	94.43	94.25	94.97
Gold produced (ounces)	8,626	7,052	6,859	5,049	27,586
2017	Q1	Q2	Q3	Q4	Total
Ore processed (tonnes)	206,877	232,964	226,193	312,495	978,529
Grade processed (g/t Au)	1.59	0.99	1.15	1.15	1.21
Recovery (%)	94.12	92.19	93.77	93.27	93.41
Gold produced (ounces)	9,950	6,852	7,820	10,748	35,371

During the year, 875,440 tonnes of ore were fed into the plant at an average grade of 1.01 g/t (FY17: 978,529 tonnes at 1.21 g/t) to produce 27,586 oz (FY17: 35,371 oz) at a 94.97% recovery (FY17: 93.41%). The total amount of 27,586 oz includes 905 produced from the stock of carbon.

4.4 Cost of sales and cash cost per ounce

Total operating costs (excluding depreciation) were \$29,269 (FY17: \$ 33,128). Cash operating costs were \$970/oz (FY17: \$829/oz).

AISC were \$1,453/oz (FY17: \$1,228/oz). The increase was due mainly to higher unit operating costs due to the lower grades of ore processed during the period. Development in SGW decreased as it is in its final stages of production. The increase in brownfield was the result of a plan to expand the Company's resource base in Uruguay with the aim of increasing its reserves.

Table 6 reconciles cost of sales as stated in the Company's statements of income (loss) to AISC per ounce.

(\$'000)	2018	2017
Cost of sales as per Financial Statements	38,170	40,271
Depreciation	(8,901)	(7,143)
Operating expenses excluding depreciation	29,269	33,128
Movement in non-ore inventories	(1,188)	493
Silver credit and others	(577)	(1,731)
Mining royalties and other production tax	(542)	(1,899)
Legal provision (i)	(209)	(679)
Total cash cost before taxes (A)	26,753	29,312
Mining royalties and other production tax	542	1,899
Total cash costs after taxes (B)	27,295	31,211
Corporate costs	2,034	2,019
Reclamation & remediation	168	291
Brownfield exploration	1,441	654
Capital expenditure (ii)	9,148	9,278
All in sustaining costs (C)	40,086	43,453
Gold production in ounces (D)	27,586	35,371
Cash operating cost per ounce (A)/(D)	970	829
Total cash cost per ounce (B)/(D)	989	882
All-in-sustaining cost per ounce (C)/(D)	1,453	1,228

(i) Legal provision included contingencies recognized relating to a labour claim. As it is a one-time material severance charge, and in line with the definition of AISC, this is excluded from the calculation.

(ii) Capital expenditure for FY18 include the construction of the SGW UG mine and the construction of phase 4 of the tailings dam.

In connection with a continuous disclosure review by the Ontario Securities Commission (the "OSC"), the Company has included additional disclosure with respect to its annual results for FY18 and FY17, to provide

greater prominence to the Company's GAAP measures for those periods. Cash cost per ounce and AISC are non-IFRS measures which are explained in section 11 of this MD&A.

4.5 Depreciation

Total depreciation was \$8,901 for FY18 (FY17: \$ 7,143). Depreciation includes straight line depreciation of fixed assets for the mine site, exploration and corporate segments of operation, depreciation of tangible development, depreciation of exploration and evaluation costs associated to pits under commercial production based on contained ounces of gold in ore mined, and the depreciation of the environmental costs for rehabilitation that are recognized over the life of the mine. Mine site depreciation of fixed assets includes the depreciation of heavy equipment and major spare parts, plant facilities, tailings dam facilities and other mining site infrastructure. Tangible development depreciation includes depreciation of pre-stripping activities realized to access ore bodies and depreciation of the ramp and access to the reserves of the underground operation. Exploration and evaluation depreciation includes the depreciation of previously capitalized expenditure incurred to discover and outline pit reserves and resources. Table 7 provides a breakdown of depreciation.

Table 7 - Depreciation composition

(\$'000)	2018	2017
Tangible fixed assets	2,837	2,331
Tangible underground development costs (i)	4,964	4,132
Environmental rehabilitation provision	178	273
Other exploration and evaluation costs (ii)	922	407
Total depreciation	8,901	7,143
Exploration equipment depreciation	-	(9)
Corporate facilities depreciation	-	(15)
Mine site depreciation	8,901	7,119

(i) Depreciation during FY18 is higher than FY17 due to the depreciation of SGW UG which produced more ounces during the period compared to the same period the previous year.

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

other exploration and evaluation costs relates to the Veta Rey and Perú which were the main open pit in production during this period.

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

4.6 Corporate expenses and other net gains and losses

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

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

(\$'000)	2018	2017
Director's fees and executive remuneration and benefits	969	1,220
Investor relations	332	229
Listing and regulatory expenses	228	196
Audit fees	188	214
Site general and administrative	457	85
Management stock-based compensation	57	93
Corporate expenses continuing operations	2,231	2,037
Corporate expenses discontinued operations	-	361
Restructuring costs	2,840	(143)
Foreign exchange loss (gain)	(591)	383
Net finance income (cost)	(503)	622
Other income	(995)	(1,525)
Total other net gains continuing operations	(2,089)	(520)
Total other net gains discontinued operations	(191)	(51)

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%.

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

Corporate and administrative expenses were \$2,231 (FY17: \$2,398), representing a decrease of 7%. The table above provides a more detailed breakdown of corporate expenses for the period.

Restructuring costs for the year are related to a provision for layoffs representing a high reduction in staff and leaving the Company with 70 employees at the end of July 2018, as one of the initiatives to preserve cash.

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

Other income for FY18 was comprised mainly of the sale of crushed rock, income from the San Gregorio laboratory which performed work for other third-party companies, income from leasing the exploration camp in Colombia and the sale of some heavy equipment.

4.7 Income tax

Table 9 - Income tax composition

(\$'000)	2018	2017
Financial statements profit/(loss) before tax	(27,180)	2,028
Tax adjustments	27,180	(2,028)
Taxable income for the year	-	-
Statutory tax rate	30%	30%
Current income tax provision for the year	-	-
Current income tax expense for the year	(6)	(24)
Current income tax provision	(6)	(24)
Deferred income tax recovery	(3,115)	581
Total income tax recovery	(3,121)	557

Table 10 - Deferred tax assets composition

(\$'000)	2018	2017
	\$000's	\$000's
Property, plant and equipment and development costs	-	1,375
Other net assets	-	1,740
Deferred income tax asset	-	3,115

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

The deferred income tax provision or recovery is mainly related to the difference in the tax and accounting basis of the carrying value of the property, plant and equipment and development costs assets. Property, plant and equipment and development costs tax assets represent rights for future income tax deductions nominated in Uruguayan pesos that are revaluated by Uruguayan inflation for fiscal purposes. As a result, these figures are subject to the appreciation or devaluation of the Uruguayan peso (UY\$) against the US dollar (\$). During the current financial year, the Uruguayan peso (UY\$) depreciated by 10% (2017 – 9% appreciation) against the US dollar. Exchange rate as of May 31, 2018 was UY\$ 31.192 per 1 US dollar (May 31, 2017 – UY\$28.292).

The Company has recognized \$nil of deferred tax assets in respect of Uruguayan deductible temporary differences as projections of various sources of income support the conclusion that the realizability of these deferred tax assets is not probable.

5. FINANCIAL POSITION

5.1 Cash and other liquid resources

Table 11 - Cash increase (decrease)

(\$'000)	Reference	2018	2017
Cash flow from operations before changes in working capital		3,361	9,664
Working capital	5.2	4,475	2,521
Site capital expenditure	5.3	(9,834)	(10,834)
Sale of fixed assets	5.3	782	240
Exploration investments	5.3	(5,183)	(2,604)
Funding	5.4	4,432	50
Cash decrease		(1,967)	(963)

Cash flow from operations includes the results from the San Gregorio operations less the cost of corporate expenses, exploration expenditure that is not capitalized, finance interest and income taxes. Cash flow generated by operations before working capital investment was \$3,361 (FY17: \$9,664).

At May 31, 2018, Orosur had cash resources of \$1,390 (FY17: \$3,357). Cash decreased by \$1,967 during FY18 (FY17: \$963). The decrease was mainly due to the operational problems in Uruguay. Table 11 shows the main cash movements.

Loryser has drawn on the full Santander line of credit in the amount of \$1,500 since Q2 FY18.

5.2 Working capital items

Table 12 shows details of changes in the working capital.

Table 12 - Working capital

(\$'000)	2018	2017
Cash flow from operations before changes in working capital	3,361	9,664
Warehouse inventories	247	(280)
Stockpile	(218)	(427)
Other production inventories	1,188	(493)
Suppliers net of prepayments	3,216	3,932
Receivables and tax credits net of tax liabilities	42	(211)
Total working capital investment	4,475	2,521
Cash flow from operations including changes in working capital	7,836	12,185

Inventory of medium grade stockpiles increased by \$218 during the year compared to an increase of \$427 in the previous year. Low grade ore stockpile for potential future processing is carried at zero value. High and medium ore stockpile are valued at the lower of average cost or net realizable value.

The level of trade payables and other accrued liabilities has increased by \$3,216. Higher costs and reduced gold production, resulted in lower cash flows than anticipated, prompting the Company to negotiate extended credit terms with a number of its suppliers and creditors during the year and before the request of the reorganization process.

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

5.3 Capital expenditure

During the year, \$9,834 of capital expenditure was spent on property, plant and equipment and development costs and payments on environmental rehabilitation costs and \$5,183 investment in exploration and evaluation costs (FY17: \$10,834 and \$2,604, respectively).

The main component in both periods is the development of SGW UG. Additionally, during FY18 the Company invested \$2,742 in the construction of phase 4 of the tailings dam, which was finalized during this period.

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less cost of disposal (“FVLCD”) and value in use (“VIU”) approaches. The assessment is performed at the cash generating unit (“CGU”) level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets.

Impairment indicators were identified for the Production (Uruguay) CGU for the year ended May 31, 2018. The Company has determined that the San Gregorio gold operations and minor satellite pits form the basis for the CGU of the Uruguayan operations.

A FVLCD model was used to determine the recoverable amount of the CGU utilizing discounted cash flows with market participant variables used as inputs.

For the year ended May 31, 2018, the Company completed an assessment of the carrying value of its CGUs and recorded a non-cash impairment charge of \$11,083 (May 31, 2017 - \$nil) for property, plant and equipment and development costs. The impairment was due to the complex and difficult situation in its long-standing operation as a consequence of the lack of good quality ore during the last year and the lack of financing to develop the Veta A project (currently the highest-grade source of underground ore available on the San Gregorio mine complex). The future of the operation in Uruguay is under high levels of uncertainty.

Key assumptions

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

To determine the recoverable amount of the production (Uruguay) CGU, management used discount rates between 20% and 24% (due to the high level of uncertainty) for various assets of the CGU and gold prices between US\$1,200 and US\$1,300 per ounce. As at May 31, 2018, the recoverable amount of the CGU exceeds its carrying amount.

In addition to the impairment testing performed by the Company at May 31, 2018, the Company also undertook a sensitivity analysis to identify the impact of changes in long-term pricing and discount rates. The Company believes that a 10% change in the gold price or in discount rates assumptions will not have a material impact on the estimated recoverable amount of its production (Uruguay) CGU's carrying amount.

Cash exploration and evaluation investment incurred in the Uruguay, Chile and Colombia is shown in Table 13 below. During the year, the cash exploration expenditure was \$5,183 (FY17: \$2,604).

Table 13 - Carrying amount of exploration and evaluation costs by area

	Uruguay	Chile	Colombia	Total
May 31, 2016	4,418	6,407	6,425	17,250
Cash expenditure	1,576	318	710	2,604
Foreign exchange movement	-	-	94	94
Other	(68)	-	25	(43)
Transfer to depreciable assets	(2,098)	-	-	(2,098)
Written-off	(131)	-	-	(131)
May 31, 2017	3,697	6,725	7,255	17,677
Cash expenditure	2,550	176	2,457	5,183
Foreign exchange movement	-	-	43	43
Other	487	(559)	-	(72)
Transfer to depreciable assets	(735)	-	-	(735)
Reclassification of asset held for sale	-	(120)	-	(120)
Written-off	(5,999)	(6,222)	-	(12,221)
May 31, 2018	-	-	9,755	9,755

Table 14 - Exploration expenses

(\$'000)	2018	2017
Expenses incurred during the year	482	-
Capitalized expenses written off	12,221	131
Total exploration expenses	12,703	131

During the year, \$12,221 of capitalized exploration and evaluation expenses were written off (FY17: \$131) related to specific projects that management determined to be impaired as substantive expenditure or further exploration in those areas is neither budgeted nor planned, despite the fact that the Company may

continue to keep tenure of mining titles for strategic reasons and, in some cases, continues to explore marginally or plans to re-evaluate, farm out or sell the projects.

Expenses written off are related to capitalized exploration expenditures directly attributed to projects in Uruguay (\$5,999) and in Chile (\$6,222). The Company is discontinuing its operations in Chile.

Capitalized exploration expenditures of \$735 (FY17: \$2,098) were reclassified as development costs as they were related to areas in which a mineral reserve was determined. The amounts transferred include exploration work for development for, Veta A and Argentinita underground and several small open pits.

Expenses incurred during the year (\$482) are related to the expenses incurred in Colombia and Chile.

5.4 Funding

Loryser drew down on the Santander line of credit in the full amount of \$1,500 at the end of November 2017 following the deferral of approximately 2,000 ounces of previous quarter. The line of credit is non-collateralized, bears an interest rate of 5.5% per annum, and is repayable on November 30, 2018. It is now included in the reorganization process started in Loryser.

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

During FY18, the Company made twelve instalment payments on the credit facilities used to finance small vehicles and two Volvo trucks with Banco Santander (Uruguay) S.A (\$202).

During FY18, the Company acquired six light vehicles and a drill rig that were financed with a lease credit facility with Banco Santander for a total amount of \$250.

5.5 Financial instruments

The Company's financial instruments composition and measurement, as well as actions to manage different types of financial risks are discussed in Note 19 of the Company's audited consolidated financial statements for the year ended May 31, 2018.

5.6 Contractual obligations and commitments

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

Table 15 – Financial maturity dates

(\$'000)	Total	< 1 Year	1-2 Years
Banco Santander line of credit	1,500	1,500	-
Banco Santander lease	441	230	211
Total	1,941	1,730	211

Commitments derived from exploration farm-outs and acquisition agreements are disclosed in Note 9 of the Company's annual audited financial statements for the year ended May 31, 2018.

Commitments for environmental rehabilitation are disclosed in Note 11 of the Company's annual audited financial statements for FY18. The Company, as normal practice, performs restoration work prior to the closure date and in accordance with the Uruguayan Environmental Agency. Such liabilities are recorded as liabilities of the company. Uruguayan mining and environmental legislation require environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of \$1,351 has been provided by Santander Bank (Uruguay) S.A and an environmental guarantee for \$5,000 has been provided by Santander Bank Uruguay (\$1,200) and a local Uruguayan insurance company (\$151). An environmental guarantee for \$5,000 (2016 – \$5,000) has been provided by AIG, a local Uruguayan insurance company.

5.7 Outstanding share data

The Company has an authorized capital of unlimited number of common shares of no par value. As of May 31, 2018, the Company has a total of 117,586,905 issued shares outstanding. It also has 7,107,426 unexercised vested stock options to acquire common shares of the Company.

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

On November 17, 2017, 1,925,000 options were granted to directors, officers and employees of the Company pursuant to the Company's stock option plan and \$22 of stock-based compensation expense was recorded for this grant. The fair value was determined based on the Black-Scholes option pricing model using the following assumptions: strike price – CDN\$ 0.24; risk free interest rate – 1.44%; expected daily volatility – 73.47%; expected life – 5 years; forfeiture rate – 10% and expected dividends - \$nil.

At May 31, 2018, there were 8,943,924 options outstanding of which 7,107,426 are exercisable (May 31, 2017 – 7,222,426 and 5,134,092, respectively). The weighted average exercise price of the options outstanding at May 31, 2018 is CDN\$0.20 (May 31, 2017, CDN\$ 0.19).

No dividends were paid during the years ended May 31, 2018 and 2017, nor are any anticipated in the foreseeable future.

**6. QUARTERLY RESULTS
(\$'000)**

	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
	Aug-16	Nov-16	Feb-17	May-17	Aug-17	Nov-17	Feb-18	May-18
Gold sold (ounces)	9,434	8,485	7,304	9,515	9,411	6,903	6,597	5,816
Average sales price (\$/oz)	1,324	1,252	1,198	1,246	1,260	1,299	1,288	1,284
Cash cost before taxes (\$/oz)	693	914	858	879	901	867	1,112	1,101
Total cash cost (\$/oz)	738	958	904	952	944	821	1,141	1,162
Sales	12,658	10,765	8,845	11,958	11,951	9,028	8,555	7,566
Cost of sales (excluding depreciation)	(7,477)	(8,504)	(6,997)	(10,150)	(9,811)	(5,605)	(7,387)	(6,466)
Mine site depreciation	(1,766)	(1,063)	(1,379)	(2,935)	(1,961)	(2,103)	(1,847)	(2,990)
Cost of sales	(9,243)	(9,567)	(8,376)	(13,085)	(11,772)	(7,708)	(9,234)	(9,456)
Gross profit / (loss)	3,415	1,198	469	(1,127)	179	1,320	(679)	(1,890)
Corporate expenses	(467)	(764)	(457)	(710)	(645)	(749)	(382)	(455)
Restructuring costs	124	164	(144)	(1)	(60)	(750)	(597)	(1,433)
Exploration expenses and write off	(9)	(2)	(6)	(114)	(10)	(16)	(423)	(5,756)
Impairment of assets	-	-	-	-	-	-	-	(11,083)
Obsolescence provision	(88)	(12)	(1)	(12)	(35)	(9)	9	(4,642)
Other net gain (losses)	(216)	383	496	(91)	284	(47)	96	596
Income (loss) before taxes	2,759	967	357	(2,055)	(287)	(252)	(1,976)	(24,663)
Income tax recovery (loss)	-	(25)	6	576	(3)	1	-	(3,119)
Net income (loss) for the period	2,759	942	363	(1,479)	(290)	(251)	(1,976)	(27,782)
Basic earnings (loss) per share	0.03	0.01	0.00	0.00	(0.00)	(0.00)	(0.00)	(0.32)
Diluted earnings (loss) per share	0.03	0.01	0.00	0.00	(0.00)	(0.00)	(0.00)	(0.32)
Cash flow from operations	3,201	4,884	533	(2,054)	2,788	1,150	2,364	1,534
Cash used for financing	(63)	(64)	(64)	(227)	2,891	1,443	(47)	145
Cash invested	(2,476)	(4,444)	(3,667)	(3,170)	(4,513)	(5,063)	(2,989)	(2,452)
Cash on hand	4,982	5,376	2,400	3,357	4,533	2,064	1,392	1,390
Total Assets	51,010	53,500	53,311	55,764	57,423	58,960	59,584	25,767
Shareholders' Equity	34,968	36,028	36,577	35,195	36,937	36,860	34,960	491

7. RELATED PARTY TRANSACTIONS

The Company owns 100% of all of its subsidiaries, with the exception of Anillo SPA, which is currently 81% owned by Orosur, and is shortly to be wound-up. Figures contained in this MD&A document include the accounts of Orosur and its subsidiaries and all inter-company transactions have been eliminated on consolidations. Note 15 of the Company's consolidated financial statements for the year ended May 31, 2018 discloses the Company's list of subsidiaries and key management compensation.

8. RISKS AND UNCERTAINTIES

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

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

Going Concern

The Company'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 Company'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 Company 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 Company.

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 yet available. As a result of the current circumstances, the Board of Directors has been actively exploring 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 and is in the best interests of Loryser, the Company and their stakeholders.

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 Company's ability to continue as a going concern.

The annual audited financial statements have been prepared on a basis which asserts that the Corporation will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate, adjustments to the carrying amounts of the Corporation's assets, liabilities, revenues, expenses and balance sheet classifications may be necessary and such adjustments could be material.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company manages liquidity risk by proactively forecasting its liquidity requirements with available funds and anticipated cash flows, by maintaining adequate reserves and banking facilities and by matching the maturity profiles of financial assets and liabilities. However, the Company has an interest in maintaining a strong investment program to extend the mine life of its existing mines or develop new mines. The Company requires external funding to advance its Veta A development work in Uruguay, to advance its exploration program in Colombia and to cover corporate costs.

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 Company. There can be no assurance that additional funding will be available to the Company or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company 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 Company is currently engaged in a number of funding and strategic discussions with external parties.

As of May 31, 2018, the Company had cash and cash equivalents of \$1,390 (FY17: \$3,357) and total current assets of \$9,160 (FY17: \$18,033) to settle current trade and other accrued liabilities of \$17,845 (FY17: \$14,518) and current financial debt of \$1,730 (FY17: \$202). None of the cash in Loryser is accessible to the Company since the declaration of the creditor protection process. The Company is required to seek additional sources of funding to cover corporate costs and Colombia holding costs.

Sensitivity to commodity prices and foreign exchange rates

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

gold price has experienced a significant period of decline and the consensus outlook remains generally negative.

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

Key Personnel Risks

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

Exploration, Mining and Operational Risks

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

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

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

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. While the discovery of an ore body may result in substantial rewards, few properties that are explored

are ultimately developed into producing mines. There is no assurance that commercial quantities of ore will be discovered on any of Orosur's exploration properties. There is no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced.

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

Title Risks

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

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

Political and Economic Risks

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

9. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of May 31, 2018. Based on this assessment, the CEO and the CFO, believes that, as of May 31, 2018, the Company's internal control over financial reporting is operating effectively. Management determined that there were no material weaknesses in the Company's internal control over financial reporting as of May 31, 2018.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding annual and interim financial statement disclosure. An evaluation of the effectiveness of the design and operation of disclosure controls and procedures was conducted as of May 31, 2018, by the Company's management. Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") are effective.

Disclosure Controls and Procedures: Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures is detailed in several of the Company's corporate governance documents including, but not limited to, the Continuous Disclosure Policy Procedure, the Code of Business Conduct and Ethics, the Insider Trading Policy and Share Trading Code and Price Sensitive Information Policy, the Whistleblower Policy, Release of Public Information Policy and the effective functioning of the Audit Committee and Board of Directors.

As at the end of the period covered by this MD&A, management of the Company, with the participation of the President and CEO and the CFO, does not expect that the Company's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they

can provide only reasonable, not absolute, assurance that all control issues and instances of fraud and error, if any, within the Company have been detected.

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

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

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

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

11. NON IFRS MEASURES

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

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

12. FORWARD-LOOKING STATEMENTS

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