Management Discussion & Analysis
for the three months ended August 31, 2016

Prepared as at October 12, 2016

Management's discussion and analysis ("MD&A") provides a discussion of Orosur Mining Inc. ("Orosur" or the "Company") financial and operating results for the quarter ended August 31, 2016 with comparisons to previous quarters.

This MD&A accompanies, and should be read in conjunction with, the unaudited condensed interim consolidated financial statements and selected explanatory notes of the Company for the three months ended August 31, 2016. All amounts are expressed in thousands of United States Dollars (US$), unless otherwise indicated. The reader should also refer to the audited consolidated financial statements and MD&A for the year ended May 31, 2016, both of which are available on SEDAR at www.sedar.com. The Company's unaudited condensed interim consolidated financial statements and the financial data presented in this document have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is effective as of October 12, 2016.

1. DESCRIPTION OF BUSINESS

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

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

In Chile, the Company has an exploration program on the Anillo property, optioned from Corporación Nacional del Cobre de Chile ("Codelco"), Chile's national mining company, located close to Antofagasta, in Region II, Northern Chile. In the previous fiscal year, the Company completed an exploration programme including 12 reverse circulation ("RC") drill holes totaling 3,600m. The Company also owns 25% of the Talca exploration asset located close to La Serena, north of Santiago.

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

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

2. HIGHLIGHTS

Financial and operational highlights for the quarter ended August 31, 2016 ("Q1 17" or the "Quarter") include:

- Q1 17 production was 9,950 oz of gold, compared to 12,471 oz in Q1 16. The difference from the previous quarter is due to the implementation of the strategic plan previously announced in July 2015 and implemented since September 2015, in response to the lower gold price environment in and around the second half of 2015.
- 206,877 tonnes of ore were processed at a grade of 1.59 grams per tonne ("g/t") with recovery averaging 94.12%. This compares to 346,057 tonnes at 1.23 g/t and recoveries averaging 90.96% for Q1 16. The decrease in tonnes of ore processed was partially offset by a higher ore grade processed and higher recovery.
- The average gold price realized for the Quarter was $1,324/oz (Q1 16: $1,147/oz), an increase of 15%.
- Average cash operating cost was $693/oz, compared to $954/oz Q1 16, a reduction of 27%. All-In-Sustaining Costs ("AISC") were $989/oz compared to $1,166/oz in Q1 16, a reduction of 15%. The Company maintained its AISC below $1,000/oz, as it has for the past three consecutive quarters.
- Corporate and administrative expenses were $467 (Q1 16: $631), representing a 26% reduction as a result of cost reduction initiatives started in 2015. In the past three years, the Company has reduced these costs by 59%.
- Profit before tax was $2,759 compared to a loss of $1,742 in Q1 16. Net profit after tax was $2,759 compared with a loss of $1,726 in Q1 16. This was mainly due to lower costs of sales as a consequence of the implementation of the strategic plan designed to reduce expenditure and ensure more profitable production.
- Cash flow from operations before changes in working capital was $4,795 compared to $173 in Q1 16.
- The Company invested $1,927 in capital expenditures and $549 in exploration compared to $994 and $966 respectively in Q1 16. During the Quarter, the Company commenced the construction of the phase 4A of the tailings dam and advanced the construction of ramp and access to the SGW UG reserves on budget.
- The Company's cash balance at August 31, 2016 was $4,982 compared to $4,320 at May 31, 2016, with net working capital (current assets less current liabilities including cash) of $9,050 compared to $6,960 at May 31, 2016.
- The Company's total debt at August 31, 2016 was $289 compared to $352 at May 31, 2016. This debt represents leases on small vehicles and two Volvo trucks.

- Orosur has a $1,500 committed and undrawn line of credit with Banco Santander available as at August 31, 2016, and as of the date hereof.
- Construction of the SGW UG mine is on budget and on track to commence production towards the end of Q2 FY17, with over 328m of horizontal development completed to the end of Q1 FY17.
- Exploration drilling in and around the San Gregorio underground area has yielded positive results, which are expected to significantly enhance mine economics and increase reserves and resources in the short and medium term.
- An eastern continuity of the current SGW UG mineralized ore body has been drilled from an underground station with seven diamond core holes. These holes were aimed at testing the continuity of the mineralization between the existing San Gregorio West and East underground reserves. Drilling successfully intersected significant gold mineralization in every hole. Further drilling is underway.
- Initial results from diamond drilling at San Gregorio East UG have demonstrated consistent and attractive mineralized intercepts and are expected to validate and increase reserves.
- Previous drilling of a deeper mineralized extension located beneath the SGW UG has shown continuity of the mineralization at depth and the Company is planning a six-hole diamond drilling campaign from surface to further test and confirm this mineralization.
- Uruguay open pit brownfields exploration and development activities have shown success in exploration at Don Tito and additionally the re-evaluation of targets at the existing Santa Maria and Perú open pit mines indicate the potential for additional production to the current mine plan at gold prices at or above US$1,300/oz.
- As part of ongoing Uruguayan greenfields exploration, an encouraging geological reinterpretation of the San Gregorio – Arenal corridor has been developed. If confirmed, this would unlock an area of approximately 500m to new exploration with the objective of discovering deposits of similar characteristics as San Gregorio or Arenal.
- At the Company's high grade Anzá Project in Colombia, initial preliminary metallurgy and density test work has been completed, with average gold recoveries ranging from 95.9 – 96.1% utilizing a combination of gravity concentration, flotation and cyanidation processing, which is in line with the metallurgical recoveries of the development projects and producing mines in the region.
- During July 2016, Asset Chile requested and the Company accepted an extension until March 2017 to allow Asset Chile to decide on exercising their option to move to Phase 2. In this period, Asset Chile will contribute $120 to cover the minimum expenditure in Anillo, which amount was during September 2016. Asset Chile needs to complete their contribution to Phase 2 (up to $1,250 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 Asset Chile does not complete this Phase 2, they will lose their earn-in achieved to date in Anillo.
- OMI´s option to acquire the remaining 75% of the Tellos ownership in Talca (Chile) expired unexercised on August 22, 2016. OMI continues looking for opportunities to monetize this asset.

3. OUTLOOK AND STRATEGY

The Company's forecast production guidance for FY17 is between 35,000 to 40,000 ounces of gold at operating cash costs of between US$800 to US$900 per ounce.

The Company's FY17 guidance is an improvement over the FY16 guidance (30,000 to 35,000 oz at US$850-950/oz operating cash costs), as the Company expects to benefit from the savings generated by the ongoing optimized operations as well as higher grades from the SGW UG project which will be offsetting external factors, such as inflation in Uruguay. The Company expects to maintain the level of savings achieved and plans to continue its operational improvement program focused on sustainable cost cutting measures and driving ongoing operational efficiencies.

As in the past, variations in production and unit costs will occur quarter on quarter as the mine plan draws ore from several sources at varying grades and stages of development or stripping. The Company expects to have higher unit costs in Q2 as the underground staff and equipment are transferred from the Arenal UG operation in its final months of production to SGW UG development which is expected to commence production by the end of Q2 FY17.

4. OVERVIEW OF FINANCIAL RESULTS

4.1 Selected financial information

During the Quarter, the Company reported a profit after taxes of $2,759 compared to a loss of $1,726 for Q1 16. Contribution margin from the San Gregorio operation before depreciation was $5,181 compared to $1,264 in Q1 16. The increase is mainly due to higher average realized gold price (Q1 17: $1,324; Q1 16: $1,147) and lower costs of sales. Contribution margin is a non-IFRS measure which is explained in section 12 of this MD&A.

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

Table 1 –Profit/(Loss) breakdown

	Q1 17	Q1 16	Reference
	$	$	
Revenue	12,658	14,465	4.2
Cost of sales (except depreciation)	(7,477)	(13,201)	4.4
Contribution margin	5,181	1,264	
Mine site depreciation	(1,767)	(1,814)	4.5
Gross profit/(loss)	3,415	(550)	
Exploration expenses	(9)	(18)	4.3
Obsolescence provision	(88)	-	
Corporate expenses	(467)	(631)	4.6
Restructuring costs	124	(1,114)	4.6
Other net gains/(losses)	(216)	571	4.6
Net profit/(loss) before taxes	2,759	(1,742)	
Income tax recovery	-	16	4.7
Net profit/(loss) after taxes	2,759	(1,726)	
Foreign exchange differences on translating foreign operations	(37)	(713)	
Total comprehensive profit/(loss)	2,722	(2,439)	
Basic profit/(loss) per share (cents per share)	$ 0.03	($ 0.02)	

Table 2 below shows the main movements in the balances of current and non-current assets and liabilities, financial outstanding liabilities and shareholder's equity as at August 31, 2016 compared to May 31, 2016 and 2015.

Table 2 – Assets and liabilities selected information

	As of August 31 2016	As of May 31 2016	As of May 31 2015
	$000's	$000's	$000's
Total non-current assets	31,251	30,661	34,992
Total current assets	19,759	18,159	20,925
Total assets	51,010	48,820	55,917
Total liabilities	16,042	16,625	22,031
Total financial liabilities	289	352	1,481
Total shareholders' equity	34,968	32,195	33,886

4.2 Sales

Sales include gold and silver sales as shown in Table 3. Total sales of gold for the Quarter were $12,658 with 9,434 ounces of gold sold at an average price of $1,324/oz. This compares to $14,465 for Q1 16 with 12,510 ounces of gold sold at an average price of $1,147/oz. Silver sales for the Quarter were higher than Q1 16.

Table 3 – Sales Composition

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

Q1 16	**$000's**	**Ounces**	**$ per oz**
Gold	14,348	12,510	1,147
Silver	117	7,641	15
Total Sales	**14,465**		

4.3 Production statistics

Key production statistics are shown in Table 4. During the Quarter, 1,013,270 tonnes were mined (Q1 16 – 1,462,010 tonnes), including 819,457 tonnes of waste (Q1 16 – 1,151,319) and 193,814 tonnes of ore (Q1 16 – 310,691) with an average grade of 1.65 g/t (Q1 16 – 1.27 g/t), to provide a final strip ratio for the quarter of 4.23 tonnes of waste to 1 tonne of ore (Q1 16 – 3.71).

Approximately 54% of the ore mined during the current period came from Arenal Deeps underground operation, and 46% from Veta Rey open pit.

Table 4 – Key production statistics

		Q1 17	**Q1 16**
Waste	tons (000's)	819	1,151
Ore	tons (000's)	194	311
Total mined	tons (000's)	1,013	1,462
Grade mined	Grams / tons Au	1.65	1.27
Strip ratio	Waste / Ore	4.23	3.71
Ore processed	tons (000's)	207	346
Grade processed	tons (000's)	1.59	1.23
Recovery	%	94.12	90.96
Gold produced	Ounces	9,950	12,471

(Thousands of United States Dollars, except where indicated)

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

Table 5 - Quarterly production statistics

	Q2 15 Nov 14	**Q3 15 Feb 15**	**Q4 15 May 15**	**Q1 16 Aug 15**	**Q2 16 Nov 15**	**Q3 16 Feb 16**	**Q4 16 May 16**	**Q1 17 Aug 16**
Ore processed (tonnes)	319,244	305,609	328,204	346,057	199,352	194,197	273,498	206,877
Grade processed (g/t Au)	1.34	1.47	1.35	1.23	1.36	1.24	0.96	1.59
Recovery (%)	93.66	93.93	92.38	90.96	93.52	93.76	92.95	94.12
Gold produced (ounces)	12,854	13,760	13,187	12,471	8,172	7,274	7,856	9,950

During the Quarter, 206,877 tonnes of ore (Q1 16 – 346,057) were fed into the plant at an average grade of 1.59 g/t (Q1 16 – 1.23 g/t) to produce 9,950 ounces of gold (Q1 16 – 12,471) with a metallurgical recovery of 94.12% (Q1 16 – 90.96%).

The decrease in tonnes of ore processed was partially offset by a higher ore grade processed and higher recovery during the Quarter.

4.4 Production costs

Total operating costs (excluding depreciation) were $7,477 for the Quarter, equivalent to cash operating costs of $693/oz compared to Q1 2016 cash operating costs of $13,201 for ($954/oz).

AISC of $989/oz for the Quarter compared to $1,166/oz in Q1 16. The Company maintains its AISC below $1,000/oz for the third consecutive quarter after conducting a review of its operating and exploration plans in FY 16 and implementing a strategic plan designed to reduce costs and ensure more profitable production.

Table 6 provides the reconciliation of cost of sales as stated in the Company's financial statements to all in sustaining cost per ounce. This is a non-GAAP measure which is explained in reference 12 of this MD&A.

(Thousands of United States Dollars, except where indicated)

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

	Q1 17 $	Q1 16 $
Cost of sales as per financial statements	9,243	15,015
Depreciation	(1,766)	(1,814)
Operating expenses excluding depreciation	7,477	13,201
Movement in non-ore inventories	358	(460)
Silver credit.	(494)	(151)
Mining royalties and other production taxes	(445)	(698)
Total cash costs before taxes (A)	**6,896**	**11,892**
Mining royalties and other production taxes	445	698
Total cash costs after taxes (B)	**7,341**	**12,590**
Corporate costs	362	513
Reclamation and remediation	79	126
Brownfield exploration	200	625
Capital expenditure	1,862	684
All in sustaining costs (C)	**9,844**	**14,538**
Gold production in ounces (D)	9,950	12,471
Cash operating cost per ounce (A)/(D)	**693**	**954**
Total cash cost per ounce (B)/(D)	**738**	**1,010**
All in sustaining cost (C)/(D)	**989**	**1,166**

4.5 Depreciation

The total depreciation for the Quarter was $1,766 compared to $1,814 in Q1 16. Depreciation includes straight line depreciation of fixed assets for the mine site, exploration and corporate segments of operation, depreciation of tangible development, depreciation of exploration and evaluation costs associated to pits under commercial production based on contained ounces of gold in ore mined, and the depreciation of the environmental costs for rehabilitation that are recognized over the life of the mine. Mine site depreciation of fixed assets includes the depreciation of heavy equipment and major spare parts, plant facilities, tailings dam facilities and other mining site infrastructure. Tangible development depreciation includes depreciation of pre-stripping activities realized to access ore bodies and depreciation of the ramp and access to the reserves of the underground operation. Exploration and evaluation depreciation includes the depreciation of previously capitalized expenditure incurred to discover and outline pit reserves and resources. Table 7 provides a breakdown of depreciation.

(Thousands of United States Dollars, except where indicated)

Table 7 - Depreciation composition

	Q1 17	**Q1 16**
	$	**$**
Tangible fixed assets	661	985
Tangible underground development costs	936	500
Environmental rehabilitation provision	60	120
Other exploration and evaluation costs *(i)*	110	209
Total depreciation	**1,767**	**1,814**
Exploration equipment depreciation	(3)	(10)
Corporate facilities depreciation	(4)	(4)
Mine site depreciation	**1,760**	**1,800**

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

As the result of the change in Arenal reserves during the year ended May 31, 2016 and the final stages of the project which is expected to reach the end of its mine life by mid-FY17, its depreciation was higher than same quarter of previous year.

4.6 Corporate expenses and other gains and expenses

Corporate expenses and other gains and expenses include corporate overhead costs, stock based compensation expense, net finance costs, foreign exchange gains and losses, gains and losses from the sale of assets and other miscellaneous items. A breakdown of such revenues and expenses are shown in Table 8.

(Thousands of United States Dollars, except where indicated)

Table 8 - Corporate expenses and other gains and expenses

	Q1 17	Q1 16
	$	**$**
Corporate overhead	435	620
Corporate depreciation	4	4
Management stock based compensation	28	7
Total corporate expenses	467	631
Foreign exchange loss/gain	101	(78)
Net finance cost	465	61
Restructuring cost/(recovery)	(124)	1,114
Other gains	(350)	(554)
Total other net (gains)/expenses	92	543

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

For the Quarter, the corporate costs were $467 (Q1 16: $631), representing a 35% reduction as a result of cost reduction initiatives which includes salaries and marketing and investor relations related costs. In the past three years, the Company has reduced these costs by 59%.

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

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

(Thousands of United States Dollars, except where indicated)

4.7 Income tax

Table 9 - Current and deferred income tax composition

	Q1 17	Q1 16
	$	**$**
Current income tax provision/(recovery)	-	16
Income tax provision/(recovery)	**-**	**16**

There was no income tax expense for the quarter compare to a provision of $16 for Q1 16. The Company does not have any current income tax provision as it is utilizing its non-capital loss carry forwards. The Company's only revenue generating jurisdiction is Uruguay. The statutory income tax rate of Uruguay is 25%. A detail of current and deferred income tax is shown in Table 9 above.

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

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

Table 10 - Deferred tax assets composition

	As of August 31, 2016	As of May 31, 2016
	$	**$**
Property, plant and equipment and development costs	4,820	734
Other net assets	(2,286)	1,800
Deferred income tax asset	**2,534**	**2,534**

The Company has recognized $2,534 of deferred tax assets in respect of Uruguayan tax losses on the basis that sufficient taxable profit will be generated in order to utilize the benefit of such losses.

5. FINANCIAL POSITION

5.1 Cash and other liquid resources

(Thousands of United States Dollars, except where indicated)

Table 11 - Cash increase/(decrease)

	Ref.	Q1 17 $	Q1 16 $
Cash flow from operations before changes in working capital		4,795	173
Working capital	5.2	(1,594)	1,230
Site capital expenditure	5.3	(1,927)	(994)
Sale of fixed assets		-	33
Exploration investment	5.3	(549)	(966)
Funding	5.4	(63)	359
Cash increase/(decrease)		**662**	**(165)**

Cash flow from operations includes the results from the San Gregorio operations less the cost of corporate expenses, exploration expenditure that is not capitalized, finance interest and income taxes. Cash flow generated by operations before the use of working capital was $4,795 (Q1 16: $173).

At August 31, 2016, Orosur had cash resources of $4,982 compared to $4,320 at May 31, 2016. Cash increased by $662 during the Quarter. Table 11 shows the main cash movements.

5.2 Working capital items

As shown in Table 11, there was an investment in working capital of $1,594 in the Quarter compared to a return of $1,230 for Q1 16, resulting in net cash inflows from operations of $3,201 and $1,403 after working capital movements respectively. Table 12 shows a detail of investment in working capital.

Table 12 – Working capital

	Q1 17 $	**Q1 16 $**
Cash flow from operations before changes in working capital	4,795	173
Warehouse inventories	(425)	300
Stockpile	(29)	755
Other production inventories	(358)	294
Trade payables and other accrued liabilities	(474)	56
Tax credits and other debtors	(308)	(175)
	(1,594)	1,230
Cash flow from operations including changes in working capital	3,201	1,403

(Thousands of United States Dollars, except where indicated)

Inventory of medium grade stockpiles increased by $29 during the quarter compared to an increase of $755 in Q1 16. Low grade ore stockpile for potential future processing is carried at zero value. High and medium ore stockpile are valued at the lower of average cost or net realizable value.

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

5.3 Capital expenditure

Capital expenditure on property, plant and equipment and mineral properties, net of fixed assets sales, was $1,927 for the Quarter compared to $994 for Q1 16.

During the Quarter, the Company commenced the construction of the phase 4A of the tailings dam and has advanced the construction of the ramp and access to the reserves of the San Gregorio underground operation.

Cash exploration and evaluation investment incurred in Uruguay, Chile and Colombia is shown in Table 13 below. In Q1 17, cash exploration expenditure was $549 compared to $966 for Q1 16.

Table 13 – Exploration investment by area

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

Project Area	Uruguay	Chile	Colombia	Total
Opening balance, May 31, 2015	4,122	6,137	6,867	17,126
Cash expenditure	734	177	56	966
Foreign exchange movement	-	-	(713)	(713)
Anillo transaction *(i)*	-	(710)	-	(710)
Others	-	(1)	-	(1)
Exploration expenses	(12)	(6)	-	(18)
Final balance, August 31, 2015	4,844	5,597	6,210	16,650

(Thousands of United States Dollars, except where indicated)

(i) As part of the Anillo project agreement, the Company transferred the Anillo property to Anillo SPA. AC holds 16% of the total project ($4,376); the Company reflected the corresponding reduction of $710 in its records, as also shown in the table above.

5.4 Funding

During the Quarter, the Company repaid three instalments of the credit facilities of small vehicles with Banco Santander (Uruguay) S.A ($63). The Company is following the contracted schedule of lease repayments with Banco Santander.

5.5 Financial instruments

The composition and measurement of the Company's financial instruments, and the Company's action to manage different types of financial risks are discussed in Note 18 and 19 of the audited consolidated financial statements for the year ended May 31, 2016.

5.6 Contractual obligations and commitments

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

Table 16 – Financial maturity dates

	Total	Less than 1 Year	1-2 Years
Santander loan for mobile fleet	289	237	52
Total	289	237	52

Commitments derived from exploration farm-outs and acquisition agreements are disclosed in Note 8 of the audited financial statements for the year ended May 31, 2016 and Note 6 of the interim financial statements for the period ended August 31, 2016.

Commitments for environmental rehabilitation are disclosed in note 10 of the audited financial statements for the year ended May 31, 2016. The Company, as normal practice, performs restoration work prior to the closure date and in accordance with the Uruguayan Environmental Agency. Such liabilities are recorded as liabilities of the company. Uruguayan mining and environmental legislation requires environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of $1,300 has been provided by Santander Bank (Uruguay) S.A and an environmental guarantee for $5,000 have been provided by AIG, a Uruguayan local insurance company.

6.6 Outstanding share data

The Company has an authorized capital of unlimited number of common shares of no par value. As of October 12, 2016, the Company has a total of 99,613,458 issued shares outstanding. It has additionally 3,782,906 unexercised vested stock options to acquire common shares of the Company.

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

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

On August 24, 2016, the Company issued 610,000 common shares following the exercise of options by a number of its employees (250,000 at an exercise price of $0.105 and 360,000 at $0.185).

At August 31, 2016, there were 6,532,559 options outstanding, of which 3,749,226 were vested and exercisable (May 31, 2016 – 7,676,380 and 4,793,047, respectively). The weighted average exercise price of the options outstanding at August 31, 2016 was CDN$ 0.16 (May 31, 2016 – CDN$ 0.17).

At October 12, 2016, there were 6,566,239 options outstanding, of which 3,782.906 were vested and exercisable.

No dividends were paid during the quarters ended August 31, 2016 and 2015.

6. QUARTERLY RESULTS

	Q2 15 Nov-14	Q3 15 Feb-15	Q4 15 May-15	Q1 16 Aug-15	Q2 16 Nov-15	Q3 16 Feb-16	Q4 16 May-16	Q1 17 Aug-16
Gold sold (ounces)	14,229	13,360	12,825	12,510	9,158	7,746	7,370	9,434
Average sales price ($/oz)	1,212	1,220	1,196	1,147	1,100	1,143	1,253	1,324
Cash cost before taxes ($/oz)	984	876	848	954	858	803	845	693
Total cash cost ($/oz)	1,049	937	900	1,009	802	763	915	738
Sales	17,404	16,445	15,493	14,465	10,190	8,936	9,275	12,658
Cost of sales (excluding depreciation)	(15,715)	(13,340)	(12,089)	(13,201)	(8,336)	(6,809)	(7,752)	(7,477)
Mine site depreciation	(3,210)	(3,748)	(5,139)	(1,814)	(1,814)	(1,378)	(969)	(1,766)
Cost of sales	(18,925)	(17,088)	(17,228)	(15,015)	(10,150)	(8,187)	(8,721)	(9,243)
Gross profit	**(1,521)**	**(643)**	**(1,735)**	**(550)**	**40**	**749**	**554**	**3,415**
Corporate expenses	(993)	(311)	(714)	(631)	(559)	(474)	(486)	(467)
Restructuring costs	-	-	-	(1,114)	(580)	(217)	202	124
Exploration expenses and write off	(4)	(514)	(27,333)	(18)	7	(3)	(337)	(9)
Impairment of assets	-	(63)	(14,647)	-	-	-	(4,229)	-
Obsolescence provision	-	-	(574)	-	-	-	(39)	(88)
Other net gain/(losses)	115	(77)	324	571	219	3,032	705	(216)
Income/(loss) before taxes	**(2,403)**	**(1,608)**	**(44,679)**	**(1,742)**	**(873)**	**3,087**	**(3,630)**	**2,759**
Income tax recovery/(provision)	1,159	(276)	(5,288)	16	3	(16)	1,945	-
Net income/(loss) for the period	**(1,244)**	**(1,884)**	**(49,967)**	**(1,726)**	**(870)**	**3,071**	**(1,685)**	**2,759**
Basic earnings/(loss) per share	(0.01)	(0.02)	(0.51)	(0.02)	(0.01)	0.03	(0.01)	0.03
Diluted earnings/(loss) per share	(0.01)	(0.02)	(0.51)	(0.02)	(0.01)	0.03	(0.01)	0.03
Cash flow from operations	**1,002**	**3,080**	**3,436**	**1,403**	**(37)**	**1,206**	**3,991**	**3,201**
Cash from (used for) financing	(2,210)	(237)	(1,827)	359	(358)	(357)	(62)	(63)
Cash invested	(3,402)	(3,872)	(2,628)	(1,960)	(1,594)	(1,521)	(1,660)	(2,476)
Cash on hand	6,815	5,807	4,788	4,622	2,633	1,961	4,320	4,982
Total assets	**109,385**	**106,096**	**55,917**	**53,111**	**49,439**	**50,315**	**48,820**	**51,010**
Shareholders' equity	**85,527**	**83,157**	**33,886**	**31,454**	**30,495**	**33,633**	**32,195**	**34,968**

8. RELATED PARTY TRANSACTIONS

The Company owns 100% of all of its subsidiaries, with the exception of Anillo SPA, which is currently 84% owned by Orosur. Figures contained in this MD&A document include the accounts of Orosur and its subsidiaries and all inter-company transactions have been eliminated on consolidations. Note 11 of the unaudited interim consolidated financial statements for the period ended August 31, 2016 discloses the Company's list of subsidiaries.

9. 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 numbers of uncertainties, and a degree of financial risk. 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 risks are considered to be those set out below.

Sensitivity to commodity prices and foreign exchange rates

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

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

Key Personnel Risks

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

Exploration, Mining and Operational Risks

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

The Company currently has one producing asset, the San Gregorio 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 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 Group's control.

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

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

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

Title Risks

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

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

Liquidity Risk

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

Political and Economic Risks

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

10. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

Disclosure Controls and Procedures

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

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

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

Internal Controls over Financial Reporting

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

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

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

12. NON GAAP MEASURES

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

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

13. FORWARD LOOKING STATEMENTS

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