

**Management Discussion & Analysis
for the three and six months ended November 30, 2017**

Prepared as at January 11, 2018

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 November 30, 2017 with comparisons to previous quarters.

This MD&A accompanies, and should be read in conjunction with, the unaudited condensed interim consolidated financial statements and selected explanatory notes of the Company for the three months ended November 30, 2017. All amounts are expressed in thousands of United States Dollars (US\$), unless otherwise indicated. The reader should also refer to the audited consolidated financial statements and MD&A for the year ended May 31, 2017, both of which are available on SEDAR at www.sedar.com. The Company's unaudited condensed interim consolidated financial statements and the financial data presented in this document have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is effective as of January 11, 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. Currently, the Company is operating several open pits and the San Gregorio West underground mine ("SGW UG") in the San Gregorio district. The Company also has strategic land holdings throughout Uruguay, including active near mine and regional exploration programmes focused on increasing gold reserves and resources and annual production levels.

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

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

Northern Chile. The Company also owns 25% of the Talca exploration asset located close to La Serena, north of Santiago.

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

2. HIGHLIGHTS

Financial and operational highlights for the quarter ended November 30, 2017 ("Q2 18" or the "Quarter") include:

- Drilling in Colombia commenced on October 12, 2017, with the first drilling results announced November 14, 2017, including 5.32m at 17.76 g/t in hole MAP-54.
- Extended downtime of two long hole drill rigs used in stope production at the SGW UG caused the deferral of 2,000 ounces of planned production. Development continued as planned at SGW UG. Q2 18 production was 7,052 oz of gold, compared to 6,852 oz in Q2 17.
- 204,315 tonnes of ore were processed at a grade of 1.14 grams per tonne ("g/t") with recovery averaging 94.49%. This compares to 232,964 tonnes at 0.99 g/t and recoveries averaging 92.19% for Q2 17. Mill feed was partially supplemented by open pit ore and low-grade stockpiles causing lower head grades than planned.
- The average gold price realized for the Quarter was \$1,299/oz (Q2 17: \$1,252/oz), an increase of 4%.
- Average cash operating cost was \$867/oz, compared to \$914/oz in Q2 17. The difference is due to lower operating expenses and higher production. The Company expects to achieve its annual guidance for cash operating cost of US\$800 - US\$900 per ounce.
- The Uruguayan government granted another exemption on the royalty payments to the Government (adding to 3% on sales) for the period April 2017 to March 2018.
- All-In-Sustaining Costs ("AISC") were \$1,455/oz compared to \$1,345/oz in Q2 17, an increase of 8%. The increase was due mainly to higher sustaining development and brownfield exploration costs from the development and infill drilling in SGW and the construction of the fourth phase of the tailings dam.
- Restructuring costs of \$750 were recognized as a provision in Q2 for layoffs representing a reduction in staff of 40 employees following the deferral in production at SGW UG and as one of the initiatives to preserve cash. Corporate and administrative expenses were \$749, in line with Q2 17 (\$764).
- Operating profit of the San Gregorio operation (contribution margin) was \$3,423 compared to an operating profit of \$2,261 in Q2 17. The increase was due to lower operating costs as a consequence of the processing of less tonnes of ore at higher respective grades.
- Loss before tax was \$252 compared to a profit of \$967 in Q2 17. This was mainly due to higher depreciation and the recognition of a provision for layoffs which includes a reduction in staff (40 employees) following the production deferral at SGW UG.
- Cash flow from operations before changes in working capital was \$2,160 compared to \$2,234 in Q2 17.

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- The Company invested \$3,359 in capital expenditures and \$1,704 in exploration compared to \$3,835 and \$609 respectively in Q2 17. The Company significantly increased its investment in exploration a result of the increased focus on expanding the Company's resource base in Uruguay with the aim of expanding reserves.
- The Company's cash balance at November 30, 2017 was \$2,064 compared to \$3,357 at May 31, 2017. The deferral of approximately 2,000 ounces of planned production for the Quarter from SGW UG caused the Company to draw on the full Santander line of credit in the amount of \$1,500 during the Quarter.
- The Company's total debt at November 30, 2017 was \$1,773 compared to \$403 at May 31, 2017. The increase is due mainly to the Company drawing the full \$1,500 Santander line of credit. The remaining debt outstanding represents leases on small vehicles and two Volvo trucks.
- The committed line of credit with Banco Santander available as at November 30, 2017 was renewed for another year (until November 30, 2018).
- Veta A, an exciting new underground project, is advancing swiftly. Veta A has a higher-grade ore and was previously mined as an open pit, produced 29,000 oz @ 3.1 g/t between September 2006 and March 2008. Current probable reserves are 9,440 oz (122,328 tonnes @ 2.40 g/t Au). The Company is targeting a significant increase in reserves following positive drilling and mineralization conducted over 140 metres away from the current defined reserves. A recent geotechnical study by SRK Consulting at Veta A supports its geotechnical feasibility.
- In September, the Company purchased a Sandvik DE710 diamond drilling rig to accelerate exploration in Uruguay.
- On September 29, 2017, the Company engaged Logan Drilling Group International for up to 15,000m of diamond core drilling in the Anzá gold project. Drilling commenced on October 12, 2017, with the first drilling results announced November 14, 2017, including 5.32m at 17.76 g/t in hole MAP-54.
- Under the terms of an agreement with Asset Chile, Asset Chile had until December 31, 2017 to decide whether or not to continue with Phase 2. Asset Chile has requested the renegotiation of Phase 2's terms and conditions in order for it to be able to continue funding the next exploration phases and will make a proposal in that regard. The Company will evaluate the proposed conditions in order to decide whether to accept them or to terminate the Agreement.

3. OUTLOOK AND STRATEGY

SG UG is a continuation at depth of the San Gregorio open pit deposit, which produced approximately 536,000 oz at an average grade of 2.12 g/t Au. Since November 2016, SGW UG has been the primary source of ore feed to the plant. Mining in the SGW sector is forecast to be complete in H2 18 when development and initial production of San Gregorio Central is scheduled to commence. San Gregorio Central is planned to be the main source of underground ore feed to the plant during H2 18.

During Q2 18, 792 metres of diamond core were drilled around the San Gregorio West underground mine aimed at improving accuracy and planning of the mining in this sector. A 250-meter development access ramp is necessary to fully access SGC from the SGW UG mine and is under construction. The block model for SGC was finalized in Q2 18, and shows that the mineralized structure is less economically viable at current gold prices at depth and to the East based on reductions in both ore grade and thickness. Due to this, and amongst other measures, the Company has been working with SRK Peru in order to optimize the mine plan for SGC, with a special emphasis on profitability following the deferral of production from SGW in Q2 18. The new design concentrates mining on the upper levels of the mine to minimize additional and uneconomic development. Additionally, an existing crown pillar between the open pit and the UG mine is being evaluated for potential inclusion in the mine plan.

The Company is accelerating the preparation and permitting of Veta A, a new underground project that is 1.2 kilometres from the plant, for development. Initial work indicates Veta A is currently the highest-grade source of underground ore available on the San Gregorio mine complex. Veta A was previously mined as an open pit, producing 29,000 oz with an average grade of 3.1 g/t between September 2006 and March 2008. Current reserves are 9,440 oz (122,328 tonnes @ 2.40 g/t Au). The Company is targeting a significant increase in reserves following a positive drilling campaign that proved the continuity and extension of the ore body over 140 metres from the current defined reserves. A preliminary study by SRK Consulting at Veta A supports its geotechnical feasibility.

In addition to the redesign of underground production in San Gregorio, the company has implemented a number of initiatives to preserve cash. These include an 11% staff reduction at the end of November, the recently granted royalty exemption by the Uruguayan Government for a one- year period and the deferral of planned greenfield exploration in Uruguay.

As a result, of its year-to-date operating results and its planned initiatives described above, Orosur is targeting the lower end of its production guidance at San Gregorio for FY18 at 30,000 ounces of gold, while maintaining its operating cash cost guidance of between US\$800 – US\$900/oz.

The Company expects to conclude its first phase of drilling at the APTA zone, which is part of the broader Anza project in Colombia next month. Additional drill results are expected by the end of February. As announced in November 2017, preliminary results from the current drilling campaign have demonstrated APTA's potential at depth, with gold mineralization intersected to 200m, and along strike. The broader Anzá potential (beyond APTA) has yet to be tested at any of the four-high priority identified targets with coincident geochemical and geophysical anomalies.

4. OVERVIEW OF FINANCIAL RESULTS

4.1 Selected financial information

During the Quarter, the Company reported a loss after taxes of \$251 compared to a profit of \$942 for Q2 17. Operating profit (contribution margin) from the San Gregorio operation before depreciation was \$3,423 compared to \$2,261 in Q2 17. The increase was due to lower operating costs as a consequence of the processing of less tonnes of ore at higher 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

	Q2 18	Q2 17	YTD 18	YTD 17	Note
	\$	\$	\$	\$	
Revenue	9,028	10,765	20,979	23,423	4.2
Cost of sales (excluding depreciation)	(5,605)	(8,504)	(15,416)	(15,981)	4.4
Contribution margin	3,423	2,261	5,563	7,442	
Mine site depreciation	(2,103)	(1,063)	(4,064)	(2,829)	4.5
Gross profit/(loss)	1,320	1,198	1,499	4,613	
Exploration expenses	(17)	(2)	(26)	(11)	5.3
Obsolescence provision	(9)	(12)	(45)	(100)	
Corporate and administrative expenses	(749)	(764)	(1,394)	(1,231)	4.6
Restructuring costs	(750)	164	(810)	288	4.6
Other net gains (losses)	(47)	383	236	167	4.6
Profit/(loss) before income tax	(252)	967	(540)	3,726	
Income tax recovery (provision)	1	(25)	(2)	(25)	4.7
Net profit/(loss) after taxes	(251)	942	(542)	3,701	
Cumulative translation adjustment	142	(20)	(136)	(57)	
Total comprehensive profit/(loss)	(109)	922	(678)	3,644	
Basic profit/(loss) per share (cents per share)	\$ (0.00)	\$ 0.01	\$ (0.00)	\$ 0.04	

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 November 30, 2017 compared to May 31, 2017 and 2016.

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Table 2 – Assets and liabilities selected information

	As of November 30, 2017	As of May 31, 2017	As of May 31, 2016
	\$000's	\$000's	\$000's
Total non-current assets	42,733	37,731	30,661
Total current assets	16,227	18,033	18,159
Total assets	58,960	55,764	48,820
Total liabilities	22,100	20,569	16,625
Total financial liabilities	1,773	403	352
Total shareholders' equity	36,860	35,195	32,195

4.2 Sales

Sales include gold and silver sales as shown in Table 3. Total sales of gold for the Quarter were \$8,964 with 6,903 ounces of gold sold at an average price of \$1,299/oz. This compares to \$10,624 for Q2 17 with 8,485 ounces of gold sold at an average price of \$1,252/oz. Silver sales for the Quarter were lower than Q2 17.

Table 3 – Sales Composition

Q2 – 18	\$000's	Oz	\$ per oz
Gold	8,964	6,903	1,299
Silver	64	3,737	17
Total Sales	9,028		

Q2 – 17	\$000's	Oz	\$ per oz
Gold	10,624	8,485	1,252
Silver	141	7,917	18
Total Sales	10,765		

Year to date – 2018	\$000's	Oz	\$ per oz
Gold	20,825	16,312	1,277
Silver	154	9,103	17
Total Sales	20,979		

Year to date – 2017	\$000's	Oz	\$ per oz
Gold	23,113	17,919	1,290
Silver	310	16,739	19
Total Sales	23,423		

4.3 Production statistics

Key production statistics are shown in Table 4. During the Quarter, 917,486 tonnes were mined (Q2 17 – 953,061 tonnes), including 724,609 tonnes of waste (Q2 17 – 734,898) and 192,877 tonnes of ore (Q2 17 – 218,164) with an average grade of 1.23 g/t (Q2 17 – 1.07 g/t), to provide a final strip ratio for the quarter of 3.76 tonnes of waste to 1 tonne of ore (Q2 17 – 3.37).

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

Table 4 – Key production statistics

		Q2 18	Q2 17	YTD 18	YTD 17
Waste	tonnes (000's)	725	735	1,634	1,554
Ore	tonnes (000's)	193	218	376	412
Total mined	tonnes (000's)	917	953	2,010	1,966
Grade mined	Grams / tonne Au	1.23	1.07	1.22	1.34
Strip ratio	Waste / Ore	3.76	3.37	4.35	3.77
Ore processed	tonnes (000's)	204	233	473	440
Grade processed	tonnes (000's)	1.14	0.99	1.04	1.27
Recovery	%	94.49	92.19	95.48	93.32
Gold produced	Ounces	7,052	6,852	15,677	16,802

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

	Q3 16 Feb 16	Q4 16 May 16	Q1 17 Aug 17	Q2 17 Nov 17	Q3 17 Feb 17	Q4 17 May 17	Q1 18 Aug 18	Q2 18 Nov 18
Ore processed (tonnes)	194,197	273,498	206,877	232,964	226,193	312,495	268,964	204,315
Grade processed (g/t Au)	1.24	0.96	1.59	0.99	1.15	1.15	0.96	1.14
Recovery (%)	93.76	92.95	94.12	92.19	93.77	93.27	93.64	94.49
Gold produced (ounces)	7,274	7,856	9,950	6,852	7,820	10,748	8,626	7,052

During the Quarter, 204,315 tonnes of ore (Q2 17 – 232,964) were fed into the plant at an average grade of 1.14 g/t (Q2 17 – 0.99 g/t) to produce 7,052 ounces of gold (Q2 17 – 6,852) with a metallurgical recovery of 94.49% (Q2 17 – 92.19%).

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As a consequence of the deferral of 2,000 ounces of planned production for the Quarter from SGW UG, the mill feed was partially supplemented by open pit ore and low-grade stockpiles causing lower head grades than planned.

4.4 Production costs

Total operating costs (excluding depreciation) were \$5,605 for the Quarter, equivalent to cash operating costs of \$867/oz compared to Q2 17 operating costs of \$8,504, equivalent to cash operating costs of \$914/oz.

AISC were \$1,455/oz for the Quarter compared to \$1,345/oz in Q2 17. The increase was due to higher sustaining development and brownfield exploration. The increase in brownfield was the result of a plan to expand the Company's resource base in Uruguay with the aim of increasing its reserves.

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

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

	Q2 18	Q2 17	YTD 18	YTD 17
	\$	\$	\$	\$
Cost of sales per financial statements	7,708	9,567	19,480	18,810
Depreciation	(2,103)	(1,063)	(4,064)	(2,829)
Operating expenses excluding depreciation	5,605	8,504	15,416	15,981
Movement in non-ore inventories	246	(1,315)	(1,234)	(957)
Silver credit and others	(63)	(623)	(252)	(1,117)
Mining royalties and other production taxes	325	(304)	(41)	(749)
Total cash costs before taxes (A)	6,113	6,262	13,889	13,159
Mining royalties, other production taxes (i)	(325)	304	41	749
Total cash costs after taxes (B)	5,788	6,566	13,930	13,908
Corporate costs	526	397	1,030	759
Reclamation and remediation	79	79	158	158
Brownfield exploration	590	186	1,241	386
Capital expenditure	3,275	1,991	5,929	3,853
All in sustaining costs (C)	10,258	9,219	22,288	19,063
Gold production in ounces (D)	7,052	6,852	15,677	16,802
Cash operating cost per ounce (A)/(D)	867	914	886	783
Total cash cost per ounce (B)/(D)	821	958	889	828
All in sustaining cost per ounce (C)/(D)	1,455	1,345	1,422	1,135

4.5 Depreciation

The total depreciation for the Quarter was \$2,103 compared to \$1,063 in Q2 17. Depreciation includes straight line depreciation of fixed assets for the mine site, exploration and corporate segments of operation, depreciation of tangible development, depreciation of exploration and evaluation costs associated to pits under commercial production based on contained ounces of gold in ore mined, and the depreciation of the environmental costs for rehabilitation that are recognized over the life of the mine. Mine site depreciation of fixed assets includes the depreciation of heavy equipment and major spare parts, plant facilities, tailings dam facilities and other mining site infrastructure. Tangible development depreciation includes depreciation of pre-stripping activities realized to access ore bodies and depreciation of the ramp and access to the reserves of the underground operation. Exploration and evaluation depreciation includes the depreciation of previously capitalized expenditure incurred to discover and outline pit reserves and resources. Table 7 provides a breakdown of depreciation.

Table 7 - Depreciation composition

	Q2 18	Q2 17	YTD 18	YTD 17
	\$	\$	\$	\$
Tangible fixed assets	669	572	1,509	1,232
Tangible underground development costs (i)	1,099	361	2,099	1,297
Environmental rehabilitation provision	60	60	120	120
Other exploration and evaluation costs (ii)	275	70	336	180
Total depreciation	2,103	1,063	4,064	2,829

- (i) Depreciation in Q2 18 is higher than Q2 17 as SGW UG was not under production in the same period of the previous year and Arenal UG was in its final stages of production.
- (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 reserve of each pit. As a consequence, depreciation may vary significantly from quarter to quarter, and with respect to the previous year, according to which pit is under production in such period and how much gold is produced. This quarter, all the depreciation of other exploration and evaluation costs is due to Veta Rey which was the main open pit in production during this period.

4.6 Corporate expenses and other gains and expenses

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

Table 8 - Corporate expenses and other gains and losses composition

	Q2 18	Q2 17	YTD 18	YTD 17
	\$	\$	\$	\$
Director's fees and executive remuneration and benefits	299	322	587	549
Investor relations	99	84	157	141
Listing and regulatory expenses	79	24	128	72
Audit fees	27	54	99	109
Exploration site general and administrative	215	215	382	263
Corporate depreciation	-	4	-	8
Management stock based compensation	30	60	41	88
Total corporate expenses	749	764	1,394	1,231
Foreign exchange loss/gain	(11)	87	(262)	188
Net finance cost	59	37	156	502
Restructuring cost/(recovery)	750	(164)	810	(288)
Other gains	(1)	(507)	(130)	(857)
Total other net (gains)/losses	797	(547)	574	(455)

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

For the Quarter, the corporate costs were \$749 (Q2 17: \$764). The Company has increased its focus on corporate strategy and shareholder communications during the period. The table above provides a more detailed breakdown of corporate expenses for the Quarter and YTD. Exploration site general and administrative are higher for the YTD as a result of the reorganization and more activity related to Colombia.

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

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.

Restructuring cost is related to the recognition of a provision for layoffs that includes reduction in staff (40 employees) following the deferral in production of SGW UG.

4.7 Income tax

Table 9 - Current and deferred income tax composition

	Q2 18	Q2 17
	\$	\$
Current income tax provision	(1)	(25)
Income tax provision	(1)	(25)

Income tax expense for the quarter showed a provision of \$1 compared to a provision of 25 for Q2 17. The Company's only revenue generating jurisdiction is Uruguay. The statutory income tax rate of Uruguay is 25%. A detail of current and deferred income tax is shown in Table 9 above.

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

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

Table 10 - Deferred tax assets composition

	As of November 30, 2017 \$	As of May 31, 2017 \$
Property, plant and equipment and development costs	2,129	1,375
Other net assets	986	1,740
Deferred income tax asset	3,115	3,115

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

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5. FINANCIAL POSITION

5.1 Cash and other liquid resources

Table 11 - Cash increase/(decrease)

	Ref.	Q2 18 \$	Q2 17 \$	YTD 18 \$	YTD 17 \$
Cash flow from operations before changes in working capital		2,160	2,234	3,614	7,029
Working capital	5.2	(1,009)	2,650	325	1,056
Site capital expenditure	5.3	(3,359)	(3,835)	(6,259)	(5,762)
Sale of fixed assets		-	18	10	18
Exploration investment	5.3	(1,704)	(609)	(3,317)	(1,158)
Funding	5.4	1,443	(64)	4,334	(127)
Cash increase/(decrease)		(2,469)	394	(1,293)	1,056

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 \$2,160 (Q2 17: \$2,234).

At November 30, 2017, Orosur had cash resources of \$2,064 compared to \$3,357 at May 31, 2017. Cash decreased by \$2,469 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 \$1,009 in the Quarter compared to a return of \$2,650 for Q2 17, resulting in net cash inflows from operations of \$1,150 and \$4,884 after working capital movements respectively. Table 12 shows a detail of investment in working capital.

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Table 12 – Working capital

	Q2 18	Q2 17	YTD 18	YTD 17
	\$	\$	\$	\$
Cash flow from operations before changes in working capital	2,160	2,234	3,614	7,029
Warehouse inventories	(701)	(218)	(352)	(642)
Stockpile	(166)	(74)	(226)	(102)
Other production inventories	(246)	1,315	1,234	956
Trade payables and other accrued liabilities	225	1,568	(360)	1,094
Tax credits and other debtors	(121)	59	29	(249)
Total changes	(1,009)	2,650	325	1,056
Cash flow from operations including changes in working capital	1,150	4,884	3,939	8,085

Inventory of medium grade stockpiles increased by \$166 during the quarter compared to an increase of \$74 in Q2 17. Low grade ore stockpile for potential future processing is carried at zero value. High and medium ore stockpile are valued at the lower of average cost or net realizable value.

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

5.3 Capital expenditure

Capital expenditure on property, plant and equipment and mineral properties, net of fixed assets sales, was \$3,359 for the Quarter compared to \$3,835 for Q2 17. The main component in both periods is the development of SGW UG. In Q2 18, \$1,116 was invested in the construction of phase 4 of the tailings dam, which is to be finalised during Q3 18.

Cash exploration and evaluation investment incurred in Uruguay, Chile and Colombia is shown in Table 13 below. In Q2 18, cash exploration expenditure was \$1,704 compared to \$609 for Q2 17.

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

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Table 13 – Exploration investment by area

Project Area	Uruguay	Chile	Colombia	Total
Opening balance, May 31, 2017	3,697	6,725	7,255	17,677
Cash expenditure	2,276	128	913	3,317
Foreign exchange movement	-	-	(212)	(212)
Write off	(26)	-	-	(26)
Closing balance, November 30, 2017	5,947	6,853	7,956	20,756

Project Area	Uruguay	Chile	Colombia	Total
Opening balance, May 31, 2016	4,418	6,407	6,426	17,251
Cash expenditure	572	161	425	1,158
Foreign exchange movement	-	-	(168)	(168)
Exploration expenses	(11)	-	-	(11)
Final balance, November 30, 2016	4,979	6,568	6,683	18,230

5.4 Funding

The Company has drawn on the Santander line of credit in the full amount of \$1,500 at the end of November following the deferral of approximately 2,000 ounces of production for the Quarter from SGW UG. The line of credit is non-collateralized, bears an interest rate of 5.5% per annum, and is repayable on November 30, 2018.

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

During the six-month period ending November 30, 2017, the Company made six instalment payments on the credit facilities used to finance small vehicles and two Volvo trucks with Banco Santander (Uruguay) S.A (\$129). The Company is following the contracted schedule of lease repayments with Banco Santander.

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

5.5 Financial instruments

The composition and measurement of the Company's financial instruments, and the Company's action to manage different types of financial risks are discussed in Note 16 and 17 of the audited consolidated financial statements for the year ended May 31, 2017, Note 13 of the Interim Consolidated Financial Statements For the three and six months ended November 30, 2017 and section 8 of this document.

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	1,773	1,626	147
Total	1,773	1,626	147

Commitments derived from exploration farm-outs and acquisition agreements are disclosed in Note 8 of the audited financial statements for the year ended May 31, 2017 and Note 6 of the interim financial statements for the period ended November 30, 2017.

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

5.7 Outstanding share data

The Company has an authorized capital of unlimited number of common shares of no par value. As of January 11, 2018, the Company has a total of 117,586,905 issued shares outstanding. It has additionally 6,379,092 unexercised vested stock options to acquire common shares of the Company.

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

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(Unaudited)

(Thousands of United States Dollars, except where indicated)

On November 30, 2017, there were 9,054,093 options outstanding, of which 6,379,092 were vested and exercisable (May 31, 2017 – 7,222,426 and 5,134,092, respectively). The weighted average exercise price of the options outstanding at November 30, 2017 was CDN\$ 0.20 (May 31, 2017 – CDN\$ 0.19).

No dividends were paid during the quarters ended November 30, 2017 and 2016.

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

	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
	Nov-15	Feb-16	May-16	Aug-16	Nov-16	Feb-17	May-17	Aug-17	Nov-17
Gold sold (ounces)	9,158	7,746	7,370	9,434	8,485	7,304	9,515	9,411	6,903
Average sales price (\$/oz)	1,100	1,143	1,253	1,324	1,252	1,198	1,246	1,260	1,299
Cash cost before taxes (\$/oz)	858	803	845	693	914	858	879	901	867
Total cash cost (\$/oz)	802	763	915	738	958	904	952	944	821
Sales	10,190	8,936	9,275	12,658	10,765	8,845	11,958	11,951	9,028
Cost of sales (excluding depreciation)	(8,336)	(6,809)	(7,752)	(7,477)	(8,504)	(6,997)	(10,150)	(9,811)	(5,605)
Mine site depreciation	(1,814)	(1,378)	(969)	(1,766)	(1,063)	(1,379)	(2,935)	(1,961)	(2,103)
Cost of sales	(10,150)	(8,187)	(8,721)	(9,243)	(9,567)	(8,376)	(13,085)	(11,772)	(7,708)
Gross profit / (loss)	40	749	554	3,415	1,198	469	(1,127)	179	1,320
Corporate expenses	(559)	(474)	(486)	(467)	(764)	(457)	(710)	(645)	(749)
Restructuring costs	(580)	(217)	202	124	164	(144)	(1)	(60)	(750)
Exploration expenses and write off	7	(3)	(337)	(9)	(2)	(6)	(114)	(10)	(16)
Impairment of assets	-	-	(4,229)	-	-	-	-	-	-
Obsolescence provision	-	-	(39)	(88)	(12)	(1)	(12)	(35)	(9)
Other net gain (losses)	219	3,032	705	(216)	383	496	(91)	284	(47)
Income (loss) before taxes	(873)	3,087	(3,630)	2,759	967	357	(2,055)	(287)	(252)
Income tax recovery (loss)	3	(16)	1,945	-	(25)	6	576	(3)	1
Net income (loss) for the period	(870)	3,071	(1,685)	2,759	942	363	(1,479)	(290)	(251)
Basic earnings (loss) per share	(0.01)	0.03	(0.01)	0.03	0.01	0.00	0.00	(0.00)	(0.00)
Diluted earnings (loss) per share	(0.01)	0.03	(0.01)	0.03	0.01	0.00	0.00	(0.00)	(0.00)
Cash flow from operations	(37)	1,206	3,991	3,201	4,884	533	(2,054)	2,788	1,150
Cash used for financing	(358)	(357)	(62)	(63)	(64)	(64)	(227)	2,891	1,443
Cash invested	(1,594)	(1,521)	(1,660)	(2,476)	(4,444)	(3,667)	(3,170)	(4,513)	(5,063)
Cash on hand	2,633	1,961	4,320	4,982	5,376	2,400	3,357	4,533	2,064
Total Assets	49,439	50,315	48,820	51,010	53,500	53,311	55,764	57,423	58,960
Shareholders' Equity	30,495	33,633	32,195	34,968	36,028	36,577	35,195	36,937	36,860

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. Figures contained in this MD&A document include the accounts of Orosur and its subsidiaries and all inter-company transactions have been eliminated on consolidations. Note 10 of the unaudited interim consolidated financial statements for the period ended November 30, 2017 discloses the Company's list of subsidiaries.

8. RISKS AND UNCERTAINTIES

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

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

Sensitivity to commodity prices and foreign exchange rates

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

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

Key Personnel Risks

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

Exploration, Mining and Operational Risks

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

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

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

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

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

Title Risks

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company manages liquidity risk by proactively forecasting its liquidity requirements with available funds and anticipated cash flows, by maintaining adequate reserves and

banking facilities and by matching the maturity profiles of financial assets and liabilities. However, the Company has an interest in maintaining a strong investment and exploration program to extend the mine life of its existing mines, or develop new mines, and a significant proportion of the program is discretionary, thereby providing a degree of flexibility. The Company has significantly reduced its operating and administrative costs and has been utilizing its cash flow from SGW UG and open pit operations to fund its exploration programs this year.

The Company remains focused on profitability over production and continually considers and analyses strategic options to develop its Uruguay, Colombian and Chilean assets to create shareholder value.

With respect to San Gregorio, the Company believes that its planned development activities and planned production over the next 12 months will enable it to generate positive cash flows in the current gold price environment. There is no assurance that results of planned development and actual gold production will meet or exceed expectations, or that the gold price will sustain its current levels. If planned development and gold production do not meet expectations, or if the gold price declines substantially from current levels, the Company may not be able to generate positive cash flows from operations and additional funding may be required for the Company to continue operations and development at San Gregorio.

With respect to Anza, the Company believes that it has sufficient funds in the form of cash and short-term investments to enable it to complete the drilling at the APTA zone in Anza to validate the geological model and expand the deposit and initial exploration work in other targets beyond APTA. However, the Company will require additional funding in order to continue further exploration work at the APTA zone and in the other targets in Anzá,

Additional funding may include joint venture or other third-party participation in Anza 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, including funds generated from producing operations, the Company may be required to delay or reduce the scope of its exploration activities in Anza and its development projects at San Gregorio, and curtail or put its current mining operations on hold or under care and maintenance.

Political and Economic Risks

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

9. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of

future events that are believed to be reasonable under the circumstances. By definition, estimates and assumptions seldom equal actual results and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, and to the amounts of revenues and expenses presented in these financial statements. The areas which require management to make significant judgments, estimates and assumptions are discussed below:

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

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

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

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

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

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

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

Disclosure Controls and Procedures

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

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

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

Internal Controls over Financial Reporting

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

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

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

11. NON- GAAP MEASURES

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

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

12. FORWARD LOOKING STATEMENTS

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