

**OROSUR MINING INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**THREE MONTHS ENDED AUGUST 31, 2019**  
**EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS**  
**(except where indicated)**

## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Orosur Mining Inc. ("Orosur" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended August 31, 2019. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended May 31, 2019 and May 31, 2018, together with the notes thereto, and the condensed interim consolidated financial statements of the Company for the three months ended August 31, 2019, together with the notes thereto. Results are reported in thousands of United States Dollars (US\$), unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended August 31, 2019, are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of October 15, 2019, unless otherwise indicated.

The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, (the "Board") considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Orosur common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Orosur's website at [www.orosur.ca](http://www.orosur.ca) or on the System for Electronic Documents Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

## **Caution Regarding Forward-looking Statements**

All statements, other than statements of historical fact, contained in this MDA constitute "forward looking statements" within the meaning of applicable securities laws, including but not limited to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and are based on expectations estimates and projections as of the date of this news release.

Forward-looking statements include, without limitation, the exploration plans in Colombia and the funding from Newmont Goldcorp Corporation ("Newmont Goldcorp") of those plans, Newmont Goldcorp's decision to continue with the Exploration and Option agreement, the ability for Loryser to continue and finalize with the remediation in Uruguay, the ability to implement the Creditors' Agreement successfully including approval from the TSX to issue shares as well as continuation of the business of the Company as a going concern and other events or conditions that may occur in the future. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing, to reach profitable levels of operations and to reach a satisfactory implementation of the Creditor's Agreement in Uruguay. These material uncertainties may cast significant doubt upon the Company's ability to realize its assets and discharge its

liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such forward looking statements. Such statements are subject to significant risks and uncertainties including, but not limited, those as described in Section "Risks Factors" of this MDA and the Annual Information Form. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events and such forward-looking statements, except to the extent required by applicable law.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this news release.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Orosur's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

### **Description of Business**

Orosur Mining Inc. (TSX: OMI; AIM: OMI) is a precious metals developer and explorer focused on identifying and advancing gold projects in South America. The Company operates in Colombia and Uruguay.

In Colombia, the Company wholly owns the Anzá exploration gold project located in the Middle Cauca Belt in Antioquia, Colombia which hosts such projects as Buriticá, Titiribí, Marmato and La Colosa. On September 10, 2018, the Company completed a non-brokered private placement of \$2 million with Newmont Goldcorp Corporation and an exploration agreement with a venture option with Newmont Goldcorp Colombia S.A.S., a wholly-owned subsidiary of Newmont Goldcorp Goldcorp, for the Anzá exploration property.

In Uruguay, the Company has historically operated the San Gregorio gold mining complex in the northern Department of Rivera. Orosur has been exploring in Uruguay since 1996 and acquired the San Gregorio operation in October 2003. On June 14, 2018 the Company applied for Reorganization Proceedings and creditor protection over Loryser S.A. ("Loryser"), the Company's primary operating subsidiary in Uruguay, in the best interests of Loryser, the Company and their stakeholders. In August 2018, production ceased and the mine was placed on care and maintenance status. In December 2018, Loryser reached an agreement with the majority of its creditors (the "Creditors Agreement"), achieving a support level of approximately 72% of creditors by value, comprising 67 different creditors. The Creditors Agreement was ratified by the Court in September 2019. The ratification by the Court means that the Agreement is legally binding on all creditors and that Intervenor's control over Loryser ceases.

### **Financial Q1 Year 2020 Highlights**

Financial and operational highlights for the quarter ended August 31, 2019 include:

- Orosur has received in August 2019 from Newmont Goldcorp the second of four half yearly US\$500k cash payments as part of the previously announced Exploration Agreement with Venture Option for the Anzá project in Colombia (the "Exploration Agreement").

- Newmont Goldcorp has only paid \$310k of work commitment during the first year of the Exploration Agreement (ending in September 2019) and must complete the shortfall up to a \$1 million minimum work commitment in cash to Orosur by November 7, 2019, in order to maintain the Phase 1 earn-in right.
- In Uruguay, as announced on September 17, 2019, the Court has approved the payment plan agreement between the Company's wholly owned subsidiary, Loryser SA ("Loryser") and Loryser's creditors (the "Creditors' Agreement"). The ratification by the Court means that the Creditors' Agreement is legally binding on all creditors and that the intervenor's control over Loryser ceases.
- The Creditors' Agreement provides that the net proceeds from the sale of Loryser's assets in Uruguay, together with the issuance of 10 million common shares in Orosur, shall fully satisfy all amounts owing by Loryser to its creditors, as well as provide funds for Loryser to conduct this process and manage the orderly closure of its operations. The Creditors' Agreement requires Loryser to manage and complete the sale and payment process within two years, starting from the date of the ratification by the Court.
- The Company has a cash balance of US\$548k at August 31, 2019 (May 31, 2019 - \$512k).
- Assets held for sale in Uruguay have been recorded in this quarter and in the FY19 consolidated financial statements at the lower of book value or fair value. The consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are accounted as Assets and Liabilities held for sale and Profit and Loss from discontinuing operations: This accounting treatment has been applied to the activities in Uruguay and Chile.

### **Outlook and Strategy**

During the year ended May 31, 2018, the board adopted an aggressive strategic plan to restructure its business, and recapitalize and transform the Company by advancing its Colombian project (now with Newmont Goldcorp as a partner), as well as finding a fair solution in Uruguay for all stakeholders and reducing its activities in Chile. The strategy remains unchanged.

In Colombia, the first two years of the Exploration Agreement (since September 2018) have relatively low minimum work commitments (\$1 million per year). The minimum work commitment increases in years 3 and 4, to \$4 million per year. In order to maintain the Phase 1 earn-in right, there are two additional semi-annual \$500k cash payments due to be paid by Newmont Goldcorp to Orosur (in March and September 2020), in addition to the payment of \$690k to cover the shortfall of minimum work commitments of Year 1 mentioned above.

In Uruguay, with the Creditors Agreement finally approved by the Court in September 2019, the judge opened the qualification stage and Loryser focused its activities in the implementation of the Creditors Agreement, mainly with the remediation work at the tailings dam and the recovery of scavenger gold at San Gregorio. The plant and equipment remain in care and maintenance. The successful sale of assets locally in Uruguay and internationally in cooperation with broker Savona is a key component to optimizing the outcome with creditors. The Company is in the process to issue the shares in Orosur which is subject to the approval of the Toronto Stock Exchange.

### **Off-Balance-Sheet Arrangements**

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

## Proposed Transactions

The Company routinely evaluates various business development opportunities which could entail optioning properties, direct acquisitions, trades and/or divestitures. In this regard, the Company is currently in discussions with various parties, but no definitive agreements with respect to any proposed transactions have been entered into as of the date of this MD&A. There can be no assurances that any such transactions will be concluded in the future.

## Overview of Financial Results

### Selected Quarterly Information

A summary of selected financial information of Orosur for each of the eight most recent completed quarters is as follows:

Three Months Ended	Total Revenue (\$)	Income / (Loss)		Total Assets (\$)
		Total (\$)	Per Share (\$)	
August 31, 2019	-	207	0.00	13,932
May 31, 2019	-	(1,842)	(0.01)	14,326
February 28, 2019	-	(2,026)	(0.01)	20,369
November 30, 2018	-	(1,874)	(0.02)	20,233
August 31, 2018	-	(6,385)	(0.06)	20,859
May 31, 2018	5,816	(27,862)	(0.32)	25,767
February 28, 2018	6,597	(1,976)	(0.00)	59,584
November 30, 2017	9,028	(251)	(0.00)	58,960

### Discussion of Operations

During the three months ended August 31, 2019, the Company incurred a net income of \$96 and \$111 from continued and discontinued operations, respectively (three months ended August 31, 2018 – loss of (\$190) and (\$6,108), respectively).

Assets held for sale in Uruguay are measured at the lower of book value or fair value. The consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are accounted as Assets and Liabilities held for sale and Profit and Loss from discontinuing operations: This accounting treatment is applied to the activities in Uruguay and Chile. Gold production and revenues at San Gregorio, Uruguay ceased in August 2018.

#### Profit and loss for the three months ended August 31, 2019 and August 31, 2018

Orosur recorded a net income from continued operations for the three months ended August 31, 2019 of \$96, with basic and diluted income per share of \$0.00. This compares with a net loss of for the three months

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August 31, 2018 of \$277 with basic and diluted loss per share of \$0.00. The increase in net income was principally because:

For the three months ended August 31, 2019, the Company recorded other income of \$500 compared to other income of \$nil for the three months ended August 31, 2018. The increase in other income was due to facilitation fees received from Newmont Goldcorp.

This was offset by:

For the three months ended August 31, 2019, the Company recorded corporate and admin expenses of \$356 compare to corporate and admin expenses of \$259 for the three months ended August 31, 2019. The increase in corporate and admin expenses was due to audit, legal and insurance expenses previously expensed in operations.

*Discontinued operations*

For the three months ended August 31, 2019, income from discontinued operations was \$111, with basic and diluted income per share of \$0.00. This compares with a net loss of for the three months ended August 31, 2018 of \$6,108 with basic and diluted loss per share of \$0.05. Loryser S.A. (the Company's operating subsidiary in Uruguay) applied to commence reorganisation proceedings under Uruguayan legislation (Act N°18.387) on June 14, 2018 and the San Gregorio mining operations have been on care and maintenance status and no ounces were produced or extracted from the stock of ore in process since August 2018.

Assets and liabilities

The financial results were prepared on a going concern basis under the historical cost method. The Company expects that Loryser S.A. will sell the assets in the near future with proceeds used to settle the outstanding debts owed to the creditors of Loryser S.A in accordance with the agreement reached with creditors in December 2018 and ratified by the Uruguayan Court in September 2019. Whether such proceeds will be sufficient to settle the debts in entirety is unknown at this time. Therefore, the Company will recognize the net realizable value of these assets when the proceeds will be realized. Currently, Assets held for sale in Uruguay are measured in the financial statements at the lower of book value or fair value.

The following is selected financial data of the Company as at August 31, 2019, May 31, 2019, and May 31, 2018:

	As at August 31, 2019	As at May 31, 2019	As at May 31, 2018
Total current assets	\$4,962	\$5,256	\$9,160
Total non-current assets	\$8,969	\$9,070	\$16,607
<b>Total assets</b>	<b>\$13,932</b>	<b>\$14,326</b>	<b>\$25,767</b>
Total current liabilities	\$23,151	\$23,641	\$19,782
Total non-current liabilities	\$nil	\$nil	\$5,494
<b>Total liabilities</b>	<b>\$23,151</b>	<b>\$23,641</b>	<b>\$25,276</b>
<b>Total shareholders' (deficit) equity</b>	<b>(\$9,219)</b>	<b>(\$9,315)</b>	<b>\$491</b>

### **Liquidity and Capital Resources**

The Company had cash in continued operating activities of \$548 at August 31, 2019 (May 31, 2018 - \$512). The increase in cash during the three months ended August 31, 2019 was primarily due to cash provided by Newmont Goldcorp.

Cash provided in continued operating activities was \$93 for the three months ended August 31, 2019. Operating activities were affected by changes in non-cash working capital balances because of a decrease in amounts receivables and other assets of \$16 and a decrease in accounts payable and accrued liabilities of \$32. The Company also recorded fair value adjustment on financial instrument of \$12 and share-based payments of \$6 and other adjustments of \$5.

Cash used in investing activities includes \$57 spent on exploration and evaluation activities in Colombia.

At August 31, 2019, the Company had a net working capital deficiency of \$18,189 (May 31, 2019 – \$18,385). The Company is not generating cash from operations but relies on the cash payments from Newmont Goldcorp and the funding of commitments in Colombia to cover its financial needs outside Uruguay. The re-organization in Uruguay is, as per the December 2018 Agreement, financing itself by the sale of Loryser's assets proceeds which are intended to cover its outstanding and ongoing liabilities. In the event that Newmont Goldcorp does not meet its funding requirements in Columbia, the Company will require external financing to advance its exploration project in Columbia. Such financing may be by way of equity, and / or debt financing. There can be no insurance that financing will be available to the Company when needed or, if available, that this financing will be on acceptable terms. If adequate funds are not available, the Company may not be able to advance its exploration project in Columbia.

See "Risk Factors" below.

### **Outstanding Share Data**

As at the date of this MD&A, the Company had the following number of common shares and issuable shares outstanding:

<b>Securities</b>	
Common shares	150,277,672
Issuable under options	8,094,092
Issuable under warrants	8,370,251
<b>Total Securities</b>	<b>166,742,015</b>

### **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Management is responsible for establishing and maintaining adequate disclosure controls and procedures ("DCP") as well as internal controls over financial reporting ("ICFR") as described below.

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), with the participation of management, last completed an evaluation of the design and operating effectiveness of the Company's DCP's and ICFR's as at August 31, 2019. Based on that assessment, management concluded that the Company's ICFR were operating effectively at August 31, 2019, pursuant to the requirements of Multilateral

Instrument 52-109. Management follows the Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Model").

During the three months ended August 31, 2019, the CEO and CFO evaluated whether there were changes to the ICFR that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation which was based on the COSO Model.

#### **Limitations of controls and procedures**

The Company's management, including the CEO and CFO, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

#### **Critical Accounting Judgements, 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:

#### **Exploration and evaluation expenditure**

The recoverability of amounts shown for capitalized exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves. As at August 31, 2019, there were no reserves at any of the Company's operating properties.

#### **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.

#### **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.

### **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.

### **Capital Management**

Our capital management objectives are to safeguard the Company's ability to support our operating requirements on an ongoing basis, continue the development and exploration of the Company's mineral properties and support expansion plans while attempting to maximize the return to shareholders through enhancing the share value. The Company defines capital that it manages as net worth, which is comprised of total shareholders' equity and debt obligations (net of cash and cash equivalents).

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by, upon approval of its Board of Directors, issuing new shares, disposing of assets or undertaking other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets.

The Company does not have a numeric target for its capital structure. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures and other investing and financing activities. Selected information is frequently provided to the Board of Directors of the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended August 31, 2019.

### **New Standard Adopted**

#### IFRS 16 – Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. Based on the Company's assessment, the Company has determined that this standard has no significant impact on its unaudited condensed interim consolidated financial statements.

#### IFRIC Interpretation 23 – Uncertainty over income tax treatments

Issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on June 1, 2019. Based on the Company's assessment, the Company has determined that this standard has no significant impact on its unaudited condensed interim consolidated financial statements.

#### **New Standards not yet Adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after June 01, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

#### IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company is currently assessing the impact on the unaudited condensed interim consolidated financial statements.

#### **Related Party Balances and Transactions**

The Company owns 100% of all of its subsidiaries. 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 21 of the financial statements for the year ended May 31, 2019 discloses the Company's list of subsidiaries.

#### **Risk Factors**

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.

#### **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 is not currently generating cash from operations but relies on the cash payments from Newmont Goldcorp and their funding of commitments in Colombia to cover its financial needs outside Uruguay. The business in Uruguay is, as per the December 2018 agreement ratified by the Court in September 2019, financing itself selling its assets while covering its liabilities. There can be no assurance that the above-mentioned funding will be available to the Company or, if available, that it will be sufficient to cover all its needs in the future. The Company may in the future consider raising equity capital in amounts sufficient to fund both exploration work and working capital requirements.

Liquidity risk depends on certain forward-looking statements which include, without limitation, the exploration plans in Colombia and the funding from Newmont Goldcorp of those plans, Newmont Goldcorp's decision to continue with the option agreement, the satisfactory implementation of the ratified Creditors' Agreement in Uruguay, and the outcome of the arbitration process in Chile against FV and any effects of that arbitration's decision on the Company. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such forward-looking statements.

#### **Key Personnel Risks**

Recruiting and retaining qualified personnel is critical to the Company's success. 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, 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 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 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 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 environmental licenses, and that the titles of the properties will not be challenged or negated for political or legal reasons.

### **Political and Economic Risks**

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

### **Sensitivity to foreign exchange rates**

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.

### **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.