

**OROSUR MINING INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THREE MONTHS ENDED AUGUST 31, 2021**  
**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, 2021. 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, 2021 and May 31, 2020, together with the notes thereto, and the condensed unaudited interim consolidated financial statements of the Company for the three months ended August 31, 2021 and 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, 2021, are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of October 15, 2020, unless otherwise indicated.

The Company's unaudited 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 MD&A 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 Minera Monte Aguila SAS ("Monte Aguila") (a 50:50 joint venture between Newmont Corporation and Agnico Eagle Mines Limited) of those plans, Monte Aguila's decisions to continue with the Exploration and Option agreement, the ability for Loryser SA ("Loryser") to continue and finalize with the remediation in Uruguay, the ability to implement the Creditors' Agreement successfully as well as continuation of the business of the Company on 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, 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 MD&A and the Annual Information Form ("AIF"). 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 South American focused minerals exploration and development company. 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 Mining Corporation and an exploration agreement with a venture option with Newmont Colombia S.A.S., a wholly-owned subsidiary of Newmont, for the Anzá exploration property. On September 30, 2020, it was announced that Newmont would enter into a Joint Venture Agreement ("Joint Venture") with Agnico Eagle Mines Limited ("Agnico") whereby the two companies will jointly assume and advance Newmont's prior rights and obligations with respect to the Anzá Project in Colombia on a 50:50 basis with Agnico as operator of the Joint Venture.

In Uruguay, the Company has historically operated the San Gregorio gold mining complex in the northern Department of Rivera. The Company 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 trade creditors and that the Intervenor's control over Loryser ceases. Since then the Company has focused its activities on the implementation of the Creditors Agreement, and the sale of the assets of Loryser. As part of that Agreement, Orosur issued in December 2019, 10,000,000 Orosur common shares to a trust for the benefit of Loryser's creditors as contemplated in the court-approved Creditors Agreement.

## **Q1 2022 Highlights**

Financial and operational highlights for the three months ended August 31, 2021 include:

### **Colombia**

- On July 6, 2021 the Company announced the assay results from nine additional diamond drillholes including multiple high-grade gold intersections with associated silver and zinc – including 59.55m @9.16g/t Au and 61.75m @2.05g/t Au. For more detail please see the Company's news release dated July 6, 2021.
- Also as set out in the above news release, work commenced on regional mapping and sampling across the wider lease holding in Colombia. A large program of BLEG sampling was commenced, which should provide vectors to more targeted programs in following quarters. Initial results have been promising, with two new prospect areas identified and named for future reference, Pupino and Pepas.
- The Company commenced work on converting the last of its secure license applications to granted status so that they can be accessed for exploration work later in the year.
- Post period end, as announced on September 7, 2021, the Company was informed by its Colombian Joint Venture ("JV") partner, Minera Monte Águila SAS ("Monte Águila") that it had elected to exercise its right to assume operatorship of the Anzá Project in Colombia. Monte Águila is a 50/50 JV between Newmont Corporation ("Newmont") (NYSE:NEM, TSX:NEM) and Agnico Eagle Mines Limited ("Agnico") (TSX:AEM), and is the vehicle by which these two companies jointly exercise their rights and obligations with respect to the Exploration Agreement with Venture Option ("Exploration Agreement") over the Anzá Project.
- The Anzá Project has now moved into its fourth year of Phase 1 during which time a further US\$4.0 million is required to be spent pursuant to the Exploration Agreement.
- While Monte Águila manages the Anzá Project, Minera Anzá will continue to be the 100% owner of the licences, until such time as Monte Águila has met its financial obligations with respect to the Exploration Agreement and elected to move to Phase 2 by September 2022.

### **Uruguay**

- In Uruguay, the Company's wholly owned subsidiary, Loryser, continues to focus its activities on the implementation of the Creditors Agreement and the sale of its Uruguayan assets. Loryser is also continuing with the reclamation and remediation of the tailings dam.
- As part of the Creditors Agreement, Orosur issued 10,000,000 Orosur common shares, in December 2019, to a trust for the benefit of Loryser's creditors. On September 10, 2021 the Company announced that it had been informed by the San Gregorio Trust that it had successfully sold its entire shareholding of 10 million common shares in the Company, which amount will be applied to meet Loryser's obligations under the Creditors Agreement.

- Good progress is being made on the sale of Loryser's other assets including plant and equipment. The proceeds from all of these sales will be used to pay liabilities in Uruguay in connection with the aforementioned Creditors Agreement.

#### **Financial and Corporate**

- The unaudited consolidated financial statements have been prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are accounted for as Assets and Liabilities held for sale (at the lower of book value or fair value) and Profit and Loss from discontinuing operations. This accounting treatment has been applied to the activities in Uruguay and Chile.
- On August 31, 2021, the Company had a cash balance of \$6,265 (May 31, 2021 \$6,958). As at the date of this MD&A the Company had a cash balance of \$5,685.

#### **Outlook and Strategy**

During the period, the Company continued its focus on developing the potential at Anza and continuing the orderly closure of its historical operations in Uruguay in accordance with the Court approved Creditors Agreement.

The Company has also been examining new business opportunities in South America, and on July 7th, 2021, it announced that it had entered into a non-binding Letter of Intent in order to establish a joint venture on a tin project in Rhondonia state in Brazil.

The Company will continue to build its project portfolio with other high-quality assets, subject to current travel restrictions caused by Covid-19.

#### **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, 2021	-	(1,723)	(0.01)	15,262
May 31, 2021	-	1,373	0.01	16,112
February 28, 2021	-	(1,232)	(0.01)	14,596
November 30, 2020	-	(668)	(0.01)	9,741
August 31, 2020	-	(1,356)	(0.01)	10,018
May 31, 2020	-	1,665	0.01	10,544
February 29, 2020	-	(573)	0.00	13,186
November 30, 2019	-	193	0.00	13,324

The unaudited consolidated financial statements have 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. Assets held for sale in Uruguay are measured at the lower of book value or fair value.

### Discussion of Operations

#### Profit and loss for the three months ended August 31, 2021 and August 31, 2020

##### *Continued operations*

For the three months ended August 31, 2021, Orosur recorded a net loss from continued operations of (\$185), with basic and diluted loss per share of \$0.00. This compares with a net loss of (\$281) for the three months ended August 31, 2020. The decrease in net loss of \$96 is principally attributable to a gain on fair value of warrants of \$372.

##### *Discontinued operations*

For the three months ended August 31, 2021, loss from discontinued operations was \$(1,538). This compares with a loss for the three months ended August 31, 2020 of \$1,075. The increase in net loss of \$463 is principally attributable to an increase in care and maintenance.

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**Management's Discussion & Analysis**  
**Three Months Ended August 31, 2021**  
**Dated – October 15, 2021**

**Assets and liabilities as at August 31, 2021; May 31, 2021; and, May 31 2020**

The following is selected financial data of the Company as at August 31, 2021, May 31, 2021, and May 31, 2020:

	As at August 31, 2021	As at May 31, 2021	Revised As at May 31, 2020
Total current assets	\$9,940	\$10,840	\$3,993
Total non-current assets	\$5,322	\$5,272	\$6,551
Total assets	\$15,262	\$16,112	\$10,544
Total current liabilities	\$21,284	\$21,097	\$20,318
Total non-current liabilities	\$nil	\$nil	\$nil
Total liabilities	\$21,284	\$21,097	\$20,318
<b>Total shareholders' (deficit) equity</b>	<b>\$(6,022)</b>	<b>\$(4,985)</b>	<b>\$(9,774)</b>

**Liquidity and Capital Resources**

The Company had cash balances from continued operations of \$6,265 as at August 31, 2021 (May 31, 2021 \$6,958). The decrease in cash during the three months ended August 31, 2020, was primarily due to an increase in net cash used in operating activities and expenditure on exploration and evaluation.

Net cash used in operating activities was \$(1,234) for the three months ended August 31, 2021. Net cash used in investing activities amounted to \$(736) comprising \$111 from proceeds received for the sale of equipment and plant and \$782 from proceeds received from exploration and option agreement and \$(910) of expenditure on exploration and evaluation and (\$719) due to increase in restricted cash.

At August 31, 2021, the Company had a net working capital deficiency of \$11,344 (May 31, 2021: \$10,257). The Company is not generating cash from operations and relied on the cash payments received under the exploration and option agreement for its funding in Colombia together with funds received from its recent private placing.

The reorganization in Uruguay is, as per the Creditors Agreement, financing itself by the sale of Loryser's assets which are intended to cover its outstanding and ongoing liabilities. The Creditors Agreement provides that net proceeds from the sale of Loryser's assets in Uruguay together with the issuance of 10 million common shares of Orosur shall fully satisfy all amounts owing to Loryser's creditors as well as provide funds for Loryser to conduct this process and close operations responsibly.

In the event that the exploration and option partners do not meet its funding requirements, the Company will require external financing to advance its exploration project in Colombia. Such financing may be by way of equity, and / or debt financing. There can be no assurance 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 Colombia.

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:

Securities	
Common shares	188,420,461
Issuable under options	7,860,461
Warrants	10,897,058
<b>Total Securities</b>	<b>207,177,980</b>

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

The Chief Executive Officer and Chief Financial Officer are responsible for certifying the design of the Company's ICFR as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" and CSA staff notice 52- 316 – "Certification of Design of Internal Control over Financial Reporting". The Company's ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting standards. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with applicable accounting standards;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of their inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer have evaluated the Company's ICFR and concluded that they are effective as at August 31, 2021. Management follows the Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company has designed appropriate ICFR for the nature and size of its business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with applicable accounting standards.

### 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:

#### **Consolidation**

The unaudited consolidated financial statements include the accounts of Orosur and its subsidiaries (collectively "the Group"). Subsidiaries are entities controlled directly or indirectly by Orosur. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's list of subsidiaries is included in note 17 to the unaudited condensed interim consolidated financial statements of the Company for the three months ended August 31, 2021. All are 100% owned by Orosur and they include the Company's subsidiaries in Uruguay, Chile and Colombia. In each case the management has deemed that Orosur has control over these and all other subsidiaries on the measures set out above.

#### **Discontinued operations.**

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

The Company is accounting for its activities in Chile and Uruguay as discontinued. Chile is recognized as a discontinued operation after all of its mining assets were sold or returned. In Uruguay, the operations are on a care and maintenance basis and the Company's subsidiary, Loryser S.A. is well advanced in the sale of its assets and the liquidation of its liabilities and commitments in other than the normal course of business.

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

The recoverability of amounts shown for capitalized exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves. Management reviews the carrying value of capitalized exploration and evaluation costs at least annually. The review is based on the Company's intention for development of the underlying asset

#### **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 ongoing basis or when new material information becomes available.

### **Stock-based compensation**

The Company uses the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipated life of the option, risk free rate, forfeiture rate, and the volatility of the Company's share price.

### **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, 2021.

### **New Standard Adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after May 31, 2021. Many are not applicable or do not have a significant impact to the Company's 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, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded.

### **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 17 to the unaudited condensed interim consolidated financial statements of the Company for the three months ended August 31, 2021 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.

#### **Covid-19**

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. In Colombia, the Company has established protocols to mitigate against the problems presented by COVID-19, which should allow activity to continue in Anzá. There can, of course, be no assurances that there will be no disruptions from any future outbreaks in the locality that would lead to a more protracted exploration program. In Uruguay, the impact of the pandemic has slowed down the realization of assets but sales are still being made, including to foreign buyers, in spite of travel restrictions.

#### **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 cash payments from Monte Aguila to fund commitments in Colombia and from its recent private placement to cover its financial needs outside of Uruguay and Colombia. The business in Uruguay is, as per the Creditors Agreement, financing itself selling its assets while covering its liabilities.

Nevertheless, there can be no assurance that 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.

Furthermore, 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. Additional measures have been undertaken or are under consideration to further reduce cash expenditures.

Liquidity risk depends on certain forward-looking statements which include, without limitation, the exploration plans in Colombia and the funding from Monte Aguila of those plans, Monte Aguila's decision to continue with the option agreement, the satisfactory implementation of the ratified Creditors' Agreement in

Uruguay, and the enforcement of the arbitration process in Chile against Fortune Valley Resources Chile S.A. (a subsidiary of the Company) 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.

As at the date of this MD&A the Company had a cash balance of \$5,685.

### **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.

### **Foreign currency risk**

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. All of the Company's entities have the United States dollar as the functional currency, except for Waymar Resources Ltd., Cordillera Holdings International Ltd. and Minera Anzá S.A., the functional currency of which is the Canadian dollar and Minera Anzá S.A. (Colombia branch), the functional currency of which is the Colombian peso. The Company conducts some of its activities in currencies other than the US dollar, especially in Uruguayan pesos. The Company also has active exploration programs in Colombia and has some of its expenditure denominated in Colombian pesos. The Company is therefore principally subject to gains or losses due to fluctuations in the Uruguayan peso and the Colombian peso relative to the US dollar. The Company manages its currency rate risk by denominating its contracts and commitments, where possible, in US dollars. The Company does not have a policy, to nor has it entered into derivatives to mitigate foreign currency risks.

### **Credit risk**

Credit risk is the risk that a third party might fail to fulfil its performance obligations under the terms of a financial instrument. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. The Company has no significant concentration of credit risk. The Company's cash and cash equivalents credit risk is mitigated by using well capitalized financial institutions.

### **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 IFRS Measures**

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