

# **Orsu Metals Corporation**

Management's Discussion and Analysis of Results  
September 30, 2016 and 2015

(Figures in United States Dollars)

**CONTENTS**

This MD&A contains the following information:

Directors & Corporate Information	3
Introduction	4
Business Overview	4
Highlights	4
Operational Review	6
Qualified Person	13
Summary Of Quarterly Results	14
Financial Review	16
Critical Accounting Policies and Estimates	21
Risks and Uncertainties	21
Forward-Looking Information	22
Controls And Procedures	23
Other Information	23

## Orsu Metals Corporation

### Management's Discussion & Analysis ("MD&A") for the period ended September 30, 2016

---

#### **DIRECTORS & CORPORATE INFORMATION**

DR SERGEY V KURZIN, Executive Chairman  
DR ALEXANDER YAKUBCHUK, Director and Chief Operating Officer  
MARK CORRA, Non-Executive Director, Lead Independent Director  
MASSIMO CARELLO, Non-Executive Director  
DAVID RHODES, Non-Executive Director

#### **REGISTERED OFFICE**

Nemours Chambers  
Qwomar Complex 4/F  
P.O. Box 3170  
Road Town, Tortola  
BRITISH VIRGIN ISLANDS

#### **HEAD OFFICE**

Berkeley Square House  
Berkeley Square  
London  
W1J 6BD  
UNITED KINGDOM  
Telephone: +44 (0) 20 7518 3999

#### **KAZAKHSTAN**

Flat 4  
Building 28  
Baiganina Street  
Almaty 050008  
REPUBLIC OF KAZAKHSTAN

#### **SOLICITORS**

Norton Rose Fulbright Canada LLP  
Royal Bank Plaza,  
South Tower,  
Suite 3800  
200 Bay Street, P.O. Box 84  
Toronto  
M5J 2Z4  
CANADA

**WEBSITE:** [www.orsumetals.com](http://www.orsumetals.com)

**E-MAIL:** [ir@orsumetals.com](mailto:ir@orsumetals.com)

#### **AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants  
1 Embankment Place  
London  
WC2N 6RH  
UNITED KINGDOM

#### **TRANSFER AGENT**

Computershare Investor Services Inc.  
100 University Ave., 8<sup>th</sup> Floor  
Toronto  
M5J 2Y1  
CANADA  
Tel: +1 800 564 6253 (toll free Canada and the USA)  
Telephone: +1 514 982 7555  
[www.computershare.com](http://www.computershare.com)

#### **STOCK EXCHANGES**

Toronto Stock Exchange ("TSX"), OSU  
(Stock is quoted in Canadian Dollars)

The effective date of this MD&A is November 11, 2016.

## **INTRODUCTION**

Orsu Metals Corporation ("Orsu" or the "Company") is a base and precious metals exploration and development company listed on the Toronto Stock Exchange (TSX: OSU). The Company previously held a dual listing on the Alternative Investment Market ("AIM"), in London, but de-listed from AIM effective May 11, 2016. The Company is currently in the process of disposing its two most advanced projects in the Republic of Kazakhstan (or "Kazakhstan"), as described below. In addition, in September 2016, the Company completed the disposal of its Akdjol and Tokhtazan exploration licenses (the "Akdjol-Tokhtazan Project") within the Kyrgyz Republic (or "Kyrgyzstan"), as described below.

The Company plans to utilise the sale proceeds from the successful disposal of its Kazakh projects for the potential acquisition of an exploration license situated in the Mogocho District of the Zabaikal'skiy region of the Russian Federation (the "Sergeevskoe Project").

This MD&A contains management's assessment and analysis of the operating results, financial condition and future prospects of Orsu and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 (the "Annual Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The information provided herein supplements, but does not form part of the Annual Financial Statements. All amounts are reported in United States Dollars ("\$" or "U.S. dollars") unless otherwise indicated. Canadian Dollars are referred to herein as CAD\$ and British Pounds Sterling are referred to as GBP£.

## **BUSINESS OVERVIEW**

In April 2016, the Company entered into two separate agreements with Karasat Trading FZE ("Karasat"), a company registered in the United Arab Emirates, for the sale of the Company's two projects in Kazakhstan consisting of the Karchiga Project and the Kogodai Project (both defined below).

### *Karchiga Project*

The Company's principal and most advanced project comprises a license area in eastern Kazakhstan containing the copper bearing Karchiga volcanogenic massive sulphide ("VMS") deposit which is part of the Rudny Altai polymetallic belt (the "Karchiga Project"). Since 2012, the Company has been seeking to secure the funding required for the construction of a mine and processing facilities at the project. However, due to the continuing adverse economic environment during this period the Company was unable to secure the necessary funding required. Thus, the Company considered alternative solutions which resulted in the Company entering an agreement to sell its 94.75% interest in GRK MLD ("MLD"), which owns the Karchiga Project, to Karasat for consideration of \$7.75 million (the "Karchiga Transaction") subject to various conditions (as set out below in "Operational review – Conditional sale of Karchiga Project, Kazakhstan").

### *Kogodai Project*

The Kogodai Project comprises the exploration project for a prospect 70 km north west of the Karchiga Project identified as a VMS copper mineralization within the Kurchum-Kalzhir metamorphic terrain, the same tectonic unit that hosts the Karchiga deposit (the "Kogodai Project"). The Company entered a separate agreement with Karasat to sell its effective 51% interest in the Kogodai Project for \$10,000 (the "Kogodai Transaction") subject to certain conditions (as set out below in "Operational review – Conditional sale of Kogodai Project, Kazakhstan").

## **THIRD QUARTER 2016 HIGHLIGHTS**

- A year on year reduction of \$1.3 million in net losses from \$2.6 million for the nine months ended September 30, 2015 to \$1.3 million for the nine months ended September 30, 2016, along with a year on year reduction of \$0.6 million in net cash outflows.
- As at September 30, 2016 the Company had cash and cash equivalents of \$3.1 million and expects to have sufficient working capital to fund its exploration and administration obligations for the next 12 months.
- In August 2016, the Company announced that its wholly owned subsidiary, Lero Gold Corp. ("Lero"), had entered an agreement with three arm's length individuals (the "Purchasers") for the sale of its 100% interest in Tournon Finance Limited ("Tournon") which owns 100% of Oriol in Kyrgyzstan LLC ("OIK") which is the owner of the Akdjol-Tokhtazan Project (the "Sale and Purchase Agreement"). (as set out in "Operational review – Sale of Akdjol-Tokhtazan Project, Kyrgyzstan").
- In August 2016, the Company announced that it had received the consent from the Ministry for Investments and Development (the "MID", the relevant Kazakh authority) to the sale of MLD as required under Kazakh law.
- In September 2016, the Company announced that it had entered an exclusive and binding heads of agreement for the potential acquisition of 100% of Sibzoloto Investments Limited ("Sibzoloto"), a Cypriot

registered company, which is the sole owner of LLC GK Alexandrovskoe ("LLC GK Alexandrovskoe") which in turn is the sole owner of the license for the Sergeevskoe Project (the "Sergeevskoe Agreement"), from four arm's length parties who are the 100% owners of Sibzoloto (together the "Sellers"). The acquisition (the "Sergeevskoe Acquisition") is subject to the conditions and terms as set out in "Operational review – Potential acquisition of Sergeevskoe Project, Russian Federation".

**POST QUARTER HIGHLIGHTS**

- In November 2016, the Company announced that the long stop date for the Karchiga Transaction by which the Company and Karasat would be required to obtain all the necessary approvals and consents in Kazakhstan had been extended to January 31, 2017 (previously October 11, 2016) by mutual agreement. In addition, both Orsu and Karasat agreed to amendments to the terms of the Karchiga Transaction by which Orsu would no longer be entitled to any deferred consideration and in return Orsu would no longer be required to maintain at least \$2 million of the proceeds in liquid assets in relation to the tax indemnity, so releasing the Company from the restriction on use of a substantial portion of the proceeds.

**OPERATIONAL REVIEW**

Since the economic downturn in 2008 the natural resources sector has been adversely affected through depressed copper prices, lack of equity finance to fund exploration projects and the construction of mining and processing facilities, as well as depressed exploration asset values. The Company has not been able to generate sufficient funding to progress its advanced exploration projects, with proven economic feasibility, and has disposed of existing interests in exploration projects to generate cash. In April 2016, the Company announced the sale of both the Karchiga Project and the Kogodai Project to Karasat subject to the conditions detailed below. The Company also entered the Sergeevskoe Agreement in respect of the acquisition of the Sergeevskoe Project. The acquisition of, and the ability of the Company to fund an exploration work program at, the Sergeevskoe Project is dependent on the successful disposal of the Karchiga Project and Kogodai Project and utilisation of proceeds thereof.

The Company has continued, and will continue, to use its current working capital resources to satisfy the Company's expenditure obligations in respect of its corporate and administrative expenditures.

**CONDITIONAL SALE OF KARCHIGA PROJECT, KAZAKHSTAN**

The Company indirectly holds a 94.75% interest in the Karchiga Project via its 100% interest in Eildon Enterprises Limited ("Eildon"), and together with the Company, Lero and Eildon (the "Karchiga Sellers"), the immediate parent of MLD, holder of the exploration license for the Karchiga exploration property.

In April 2016, the Company entered an agreement in respect of the Karchiga Transaction, which is subject to various significant conditions, including:

- a) Karasat obtaining the requisite antimonopoly approval from the relevant Kazakh authorities (the "Antimonopoly Approval");
- b) the Company obtaining a formal consent to the change in ownership from the MID, required under Kazakh law, which was obtained in August 2016;
- c) the Company obtaining an amendment to the licences to delay commencement of production to the first quarter of 2019 (the "Amendment"); and
- d) the issuance or renewal (extension) of Technical Conditions for connection to the electricity grid and to procure sufficient water supply for the facilities of the Karchiga Project.

If any of the Amendment or the Antimonopoly Approval are outstanding and Karasat does not agree to extend the longstop date, the Karchiga Sellers will repay the deposit to Karasat;

The Karchiga Transaction and the Kogodai Transaction are subject to a longstop date of January 31, 2017 (previously October 11, 2016 but extended in November 2016) which will automatically roll forward by a further three months if the only conditions not satisfied at that time are one or more of the Consent, the Amendment or the Antimonopoly Approval. The longstop date may be further extended again by the mutual agreement of the parties. The Company will pay a termination fee of \$400,000 plus directly attributable costs of up to \$150,000 in the event that it terminates the agreement before completion;

The sale and purchase agreement governing the Karchiga Transaction (filed on the Company's profile on [www.SEDAR.com](http://www.SEDAR.com)) contains customary commercial warranties and indemnities from the Karchiga Sellers.

The sale consideration for the Karchiga Transaction is:

- a) consideration of \$7.75 million (less a non-refundable deposit of \$100,000 received in May 2016 from Karasat) payable on completion of the conditions set out above. Upon receipt of the initial consideration the Company will allocate the proceeds as follows:
  - \$4,438,268 for the purchase of intercompany debt owed by MLD to Orsu;
  - \$3,311,502 for the purchase of intercompany debt owed by MLD to Lero; and
  - \$230 for the 94.75% interest in MLD held by Eildon.

The Company obtained shareholder approval for the Karchiga Transaction at its annual and special Shareholder Meeting held on June 23, 2016.

Subsequent to the period end the Company agreed to waive its right to deferred consideration in return for Karasat agreeing to remove the obligation for the Company to retain at least \$2 million of the proceeds in liquid assets.

**CONDITIONAL SALE OF KOGODAI PROJECT, KAZAKHSTAN**

The Company holds an effective 51% interest in the Kogodai Project through its 63.75% interest in Harssin Management B.V. ("Harssin") which is the 100% parent of Orsu Metals Kazakhstan LLP ("Orsu Kazakhstan") which, in turn, holds an 80% majority interest in Kogodai Joint Venture LLP ("Kogodai JV LLP"), holder of the exploration license for the Kogodai Project.

The Kogodai Transaction was conditional upon the Company obtaining the formal consent to the change in ownership from the MID, required under Kazakh law, which was obtained in August 2016.

The Kogodai Transaction is not conditional on the completion of the Karchiga Transaction.

A summary of the key features of the Kogodai Project are set out below:

- a) the exploration license was granted for a period of 5 years, ending in 2019, which can be further extended per the legislation of Kazakhstan; and
- b) the minimum funding obligation for exploration work at the Kogodai Project as an aggregate is approximately \$3.75 million over a period of five years commencing from date of grant of the exploration license, as follows:
  - i. \$525,100 for the first year;
  - ii. \$803,900 for the second year;
  - iii. \$1,258,100 for the third year;
  - iv. \$914,000 for the fourth year; and
  - v. \$253,000 in the fifth year.

The minimum funding obligation may be modified depending on the geological results received and planned work for the exploration programme. The financing of the minimum funding obligation is considered to be discretionary. For the nine months ended September 30, 2016 the Company maintained the Kogodai Project on a care and maintenance basis and incurred minimal exploration expenditure. As at September 30, 2016 the Company considered the Kogodai licenses to remain in good standing and not at risk of default.

**SALE OF AKDJOL-TOKHTAZAN PROJECT, KYRGYZSTAN**

The exploration license area for the Akdjol-Tokhtazan Project are in the Jelal-Abad Oblast, western Kyrgyzstan. During 2010, the Company identified the Akdjol license area as a gold-silver epithermal prospect and the Tokhtazan license area as a gold prospect. The Akdjol and Tokhtazan exploration licenses were renewed to January 1, 2020 following their expiry on December 31, 2015. Since 2011 the Company sought to dispose of the Akdjol-Tokhtazan Project but was not able to successfully dispose of the project and consequently, as at December 31, 2015 the Company decided to suspend work at the Akdjol-Tokhtazan Project. Thereafter in August 2016, the Company entered the Sale and Purchase Agreement to sell the Akdjol-Tokhtazan Project (see "Third quarter 2016 highlights" above).

In September 2016, the Company completed the disposal of the Akdjol-Tokhtazan Project. The key terms of the Sale and Purchase Agreement, which have been filed on SEDAR, are:

- 1) An effective initial consideration of \$0.56 million comprising:
  - a. the nominal sum of \$1, and
  - b. the Purchaser's assumption of the existing liabilities of OiK, estimated at \$0.5 million.
- 2) In addition, an existing interest free loan, currently repayable on demand, of approximately \$4.19 million between Lero and OiK (the "Loan") will remain in place and the Purchasers may, within two years of the effective date of the Sale and Purchase Agreement (i.e. on or before August 1, 2018) elect to:
  - a. purchase the loan for the sum of \$2 million, or
  - b. cancel the loan upon the payment by the Purchasers of the sum of \$2 million, or
  - c. if the Purchasers do not elect either of the above options, the loan will become repayable within three years from the commencement of production at an interest rate of LIBOR plus 5%.
- 3) Deferred consideration of \$2 million will be payable from production revenues over the first two years of production at the Akdjol-Tokhtazan Project, at \$250,000 per quarter from the commencement of production. The Company assessed that there was no recognised market for such deferred consideration and that there is significant uncertainty in relation to the future prospect of the Akdjol-Tokhtazan Project being developed into production and so no reliable estimate of fair value could be estimated. As a result, the Company has not recognised the deferred consideration as at September 30, 2016.



**POTENTIAL ACQUISITION OF SERGEEVSKOE PROJECT, RUSSIAN FEDERATION****About the Sergeevskoe licence area**

The Sergeevskoe licence covers an area of 7.6 km<sup>2</sup> and is located approximately 40 km to the southwest of the town of Mogocho, Zabaikal'skiy Region of the Russian Federation. Mogocho is an administrative centre of the Mogocho District and hosts a large railway station on the Trans-Siberian Railway which runs within approximately 35 km of the licence area. The newly built Chita-Khabarovsk motorway (M58) is approximately 8 km to the south of the licence area. The distance to the Sergeevskoe Project area from the city of Chita, an administrative centre of the Zabaikal'skiy Region in eastern Siberia, is approximately 650 km.

The Sergeevskoe licence area is located immediately west of the Klyuchevskoe gold deposit (see image below), which is owned by Sun Gold Ltd ("Sun Gold"). According to Dr BI Benevolskiy, who published detailed accounts of historical production of gold in a monograph "Gold of Russia", Benevolskiy BI, 2002. Gold of Russia: Problems of the Use and Replacement of Mineral Resources, 2<sup>nd</sup> Revised Edition. Moscow, ZAD Geoinformmark, 464pp. In Russia, the Klyuchevskoe deposit has historically produced over 1.3 million ounces of gold from an open pit, whose western all is located 300 metres from the eastern margin of the Sergeevskoe license area. According to public information published by Vestnik Zolotopromyshlennika (Gold Miner Bulletin) on August 31, 2016, based on publicly available information, which was not prepared, or independently verified, by Orsu the Klyuchevskoe deposit has estimated mineral resources containing 47.8 tonnes (approximately 1.54 million ounces) of gold in Russian style A+B+C1 categories, 26.6 tonnes (approximately 855 thousand ounces) of gold in Russian style C2 category and 4 tonnes of gold in 'out of balance' category, complying with Russian Code for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves, all grading up to 2 grammes of gold per tonne. According to the Russian Federal Antimonopoly Agency, the Klyuchevskoe mine is in the advanced stages of being sold to China National Gold Group based on publicly available information, which was not prepared, or independently verified, by Orsu. The nearby Alexandrovskoe gold mine, which was commissioned in September 2013, lies to the west of the Sergeevskoe license area (see image below). Alexandrovskoe Gold Mining Limited has disclosed on its website that in the end of 2012, the Russian style reserves were approved by Protocol No.2853 of the Russian State Reserves Committee, amounting to 7.898 million tonnes in Russian-style C1+C2 categories (balance + off-balance) with 23.894 tonnes (715 381 ounces) of gold grading 2.9 grammes of gold per tonne. Alexandrovskoe Gold Mining Limited also reported Russian-style resources at Alexandrovskoye ore field estimated to be more than 2 million ounces of gold based on publicly available information, which was not prepared, or independently verified, by Orsu.



Orsu conducted a site visit in July 2016 and, based on this and a review of the technical information made available, believes that the geology of the Sergeevskoe Project area is principally similar to the Klyuchevskoe deposit area. Some orebodies from the Klyuchevskoe deposit extend into the Sergeevskoe license area. Granitoid intrusions are a principal host for 150 million years old mineralization.

The Sergeevskoe Project area hosts numerous gold occurrences, discovered and partially drill tested in the 1950s and 1960s, with geophysical and geochemical works performed in the 1970s. No field exploration activity

Management's Discussion & Analysis ("MD&A") for the period ended September 30, 2016

---

was undertaken from the mid-1980s until 2013, when the Sellers acquired the Sergeevskoe Project via public auction from the Government of the Russian Federation. No approved historical Soviet-style or JORC compliant mineral resources exist for mineral prospects within the Sergeevskoe Project area. However, several reports estimated potential resources of the Sergeevskoe Project area in Russian-style "P" category. These historical estimates, combined for several prospects within the license area, range from 2 to 4 million ounces of gold grading 1.67 to 1.77 grammes of gold per tonne, which is not compliant to the standards of the National Instrument ("NI") 43-101, but can be possibly treated as an indication of exploration potential.

On July 7, 2016, the Technical Board for the Department of Subsoil Usage, Zabaikal'skiy Subsection, Central Siberian Region, Russian Federation has approved Protocol N81 with the Russian-style P1 to P3 categories, containing a total of 29.736 million tonnes of mineralization in several prospects within the Sergeevskoe license area with a total of 59.31 tonnes (approximately 1.91 million ounces) of gold, calculated to a depth of 100 metres. The mineralized system in all prospects remains open to depth.

All potential quantities and grades referred to in this announcement are conceptual in nature; there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

The results referred to are primarily based on historical data prepared between 40 and 60 years ago, and as such their relevance and reliability may be uncertain. Further analysis will be required, including confirmatory drilling and/or trenching and assays of the core plus updated analysis and assessment of the historical data in order to verify the historical estimates as current mineral resources or reserves.

A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or reserves. The Company is not treating the historical estimate as current mineral resources or reserves.

Historical works included soil-geochemistry sampling at 1:10 000 scale as well as different ground and airborne geophysical surveys resulting in the delineation of a number of gold, copper and molybdenum anomalous areas. The most advanced occurrences include Zone 23, Koziy, Vodorazdelnoe (Peak Klyuchi) and Karamaevskoe (see image above). Gold mineralization is arranged along the 5 km long west-east trending quartz vein-veinlet system, which is often accompanied by alteration (tourmalinization, sericitization) together with primary sulphide mineralization. Judging from a visit to the nearby Klyuchevskoe open pit, primary sulphides are oxidized down to 180 meters, with drilling-confirmed vertical extent of gold mineralization at the Klyuchevskoe deposit to 600 meters.

Numerous trenches (totaling more than 16,200 metres at the Zone 23, Koziy and Vodorazdelnoe (Peak Klyuchi) occurrences) intercepted wide gold-mineralized intervals within a 1 000 x 600 metres west-east trending area in the eastern part of the Sergeevskoe license area, including Zone 23, Koziy and Vodorazdelnoe occurrences. The historically identified mineralized intervals range in width from 2 to 48 metres with grade variations from 1 to 5 grammes per tonne of gold. The 850 metres long historical trench K-679, cross-cutting both the Zone 23 and Koziy occurrences, intercepted several intervals separated by low grade or unmineralized material (from south to the north).

In the south, over 325 metres across Zone 23 occurrence:

- 2 metres grading 1.0 gramme of gold per tonne, and
- 24 metres grading 1.4 grammes of gold per tonne, and
- 2 metres grading 3.2 grammes of gold per tonne, and
- 2 metres grading 1.6 grammes of gold per tonne, and
- 48 metres grading 1.7 grammes of gold per tonne, and
- 7 metres grading 1.3 grammes of gold per tonne, and
- 8 metres grading 1.7 grammes of gold per tonne, and
- 16 metres grading 1.8 grammes of gold per tonne, and
- 6 metres grading 3.1 grammes of gold per tonne, and
- 4 metres grading 2.0 grammes of gold per tonne, and
- 4 metres grading 2.1 grammes of gold per tonne.

This was followed by approximately 200 metres of unmineralized interval before reaching the Koziy occurrence, where the same trench intercepted the following intervals over 200 metres across the latter:

- 3 metres grading 1.8 grammes of gold per tonne, and
- 9 metres grading 2.3 grammes of gold per tonne, and
- 1 metre grading 3.0 grammes of gold per tonne, and
- 2 metres grading 2.0 grammes of gold per tonne, and
- 38 metres grading 2.1 grammes of gold per tonne, and
- 1 metre grading 3.2 grammes of gold per tonne, and
- 40 metres grading 3.8 grammes of gold per tonne, and
- 2 metres grading 1.4 grammes of gold per tonne.

Approximately 8 500 meters of drilling was historically completed at the Sergeevskoe Prospect in the 1950s and 1960s, with approximately 4900 metres drilled at Zone 23, Koziy and Vodorazdelnoe (Peak Klyuchi) occurrences and remaining balance drilled at the Karamaevskoe and other occurrences. No drill core from the historical holes is preserved. The reported historical core recoveries were approximately 50 percent. There were also some limited underground developments (shallow shafts and one adit with cross-cuts).

Historical drillholes at Zone 23 returned wide intercepts of gold mineralization. In particular, hole C-222 was drilled in the southern direction at 75 degrees to a depth of 160 metres and intercepted mineralized intervals (greater than 2 metres in thickness at a cut-off of 0.5 grammes of gold per tonne) of:

- 3 metres grading 0.63 grammes of gold per tonne (from 46 metres);
- 5 metres grading 1.56 grammes of gold per tonne (from 51 metres);
- 38 metres grading 1.48 grammes of gold per tonne (from 58 metres),  
Including:
  - 6.5 m grading 2.23 grammes of gold per tonne (from 62 metres),
  - 3.0 m grading 2.97 grammes of gold per tonne (from 84 metres).

Hole C-215, which was drilled to a depth of 200 metres in the southwestern direction at approximately 74 degrees to the surface. This hole intercepted five mineralized intervals (greater than 2 metres in thickness and above 0.5 grammes of gold per tonne cut-off):

- 3.5 metres grading 0.86 grammes of gold per tonne (from 16.5 metres); and
- 3.5 metres grading 1.11 grammes of gold per tonne (from 23.5 metres); and
- 31.6 metres grading 1.2 grammes of gold per tonne (from 54.1 metres),  
including:
  - 2.1 m grading 2.20 grammes of gold per tonne (from 59 metres),
  - 5.5 m grading 2.13 grammes of gold per tonne (from 63.1 metres),
  - 2.0 m grading 1.30 grammes of gold per tonne (from 70.6 metres); and
- 44.8 metres grading 0.82 grammes of gold per tonne (from 95 metres),  
including:
  - 4.0 m grading 1.73 grammes of gold per tonne (from 101.2 metres),
  - 6.8 m grading 1.08 grammes of gold per tonne (from 107.2 metres),
  - 3.8 m grading 1.30 grammes of gold per tonne (from 135 metres); and
- 27.5 metres grading 0.71 grammes of gold per tonne (from 167.5 metres),  
including:
  - 5.0 m grading 1.26 grammes of gold per tonne (from 176.5 metres).

The combined width of the mineralized intervals in hole C-215 is 102.4 metres, indicating that more than 50% of the total length of this hole is mineralized above the 0.5 grammes of gold per tonne cut-off.

Historical drillholes at the Kozie occurrence, located some 350 metres north from Zone 23, are also reported to intercept gold mineralization (at a cut-off of 0.5 grammes of gold per tonne). In particular, historical hole C-140, which was drilled to a depth of 110 metres in the southern direction at approximately 75 degrees to the surface, intercepted 7.5 metres (from 65 metres) grading 2.59 grammes of gold per tonne. Historical hole C-141, which was drilled to a depth of 170 metres in the southern direction at approximately 70 degrees to the surface, intercepted 7.5 metres (from 125 metres) grading 1.53 grammes of gold per tonne. The 15.8 metres deep shallow vertical shaft (N28) intercepted mineralization grading between 0.4 and 4.3 grammes of gold per tonne. Another 25 metres deep shaft (N29) intercepted mineralization grading between 2.4 and 15.2 grammes of gold per tonne.

At the Karamaevskoe occurrence, historical hole C-197 was drilled in the southwestern direction at 70 degrees to a depth of 104 metres and intercepted a wide mineralized interval (at a cut-off of 0.5 grammes of gold per tonne) of 20.0 metres grading 1.55 grammes of gold per tonne (from 28 metres).

Despite promising intercepts, none of the prospects has been systematically drilled.

Orsu collected 15 lump samples during its site visit and inspection of the historical trenches. These samples were submitted by Orsu to the SGS Vostok Limited laboratory ("SGS Vostok") in Chita, which is a Russian subsidiary of SGS Societe Generale de Surveillance S.A. and member of SGS Group, the inspection, verification, testing and certification company, independent from both Orsu and the Sellers. SGS Vostok has assayed 15 samples, including one field duplicate, but no blanks or external standards were included by Orsu. SGS Vostok used a standard fire assay technique with detection limit of 0.03 grammes of gold per tonne. Of these, 13 assays returned between 0.18 to 5.69 grammes of gold per tonne for samples, generally collected randomly from the mineralized intervals shown on the historical maps for the above-mentioned trench K-679 at Zone 23 and Kozie occurrences. The duplicate samples Ser-003 returned 0.53 and 0.55 grammes of gold per tonne, indicating good correlation for this limited sampling programme.

**Conditional acquisition of the Sergeevskoe Project**

In September, the Company entered the Sergeevskoe Agreement which is subject to an exclusivity period until January 31, 2017, to complete due diligence and enter definitive documentation to complete the transaction. The Sergeevskoe Agreement will automatically terminate on the later of January 31, 2017 or the exclusivity period may be extended by mutual agreement of both parties. In addition, Orsu has the right to terminate the Sergeevskoe Agreement without any obligation at any time during the due diligence process in the event of material adverse finding during such due diligence.

The Sergeevskoe Agreement is subject to the following conditions:

- the completion of technical, legal and financial due diligence by each party, which will include the production of technical report conforming to the requirements of the NI 43-101;
- Execution of a Sale and Purchase Agreement ("SPA") and definitive documentation;
- Obtaining the necessary approvals, if any, from the Russian Federation for the transfer of ownership of the Sergeevskoe Project to Orsu;
- TSX approval of the Proposed Transaction (including the issue of shares) and any other regulatory approvals required by the TSX or by the applicable securities commissions or regulatory authorities in Canada, and
- The outcome of the proposed disposal of the Karchiga Project by June 30, 2017.

**Prior to completion of the Sergeevskoe Acquisition:**

- A representative of the Sellers will be granted the right to attend board meetings of Orsu as an observer prior to completion of the proposed transaction. Upon completion of the proposed transaction, the Sellers will have the right to appoint two directors in total to the Board of Directors of Orsu and the total number of directors of Orsu will be five. The appointment of such directors will be subject to any approvals required by the TSX or other applicable regulatory bodies for such individual appointee.
- Orsu will not authorize any additional expenditure over and above current contractual obligations and those required for its ordinary course of business in excess of \$5,000 without the prior written consent of a representative of the Sellers.
- Shortly following completion of the proposed transaction, Orsu will make available no less than \$1.5 million to fund the exploration of the Sergeevskoe Project.

**Consideration of the Sergeevskoe Acquisition**

Upon the successful completion of the conditions set out above, Orsu will acquire 100% of the Sergeevskoe Project via the acquisition of Sibzoloto, and 100% of a nearby work camp via the acquisition of LLC Davenda, a company under effective control of the Sellers.

The consideration for Sibzoloto and LLC Davenda will be as set out below:

- 1) 146,605,683 new common shares of the Company to be issued to the Sellers for the acquisition of 30% of the outstanding shares of Sibzoloto at closing such that, post-closing, the Sellers will own approximately 44.5% of the enlarged share capital of Orsu (or 42.5% of the total enlarged and fully diluted share capital of Orsu, assuming exercise of all issued and outstanding options). The Sellers shall transfer the remaining 70% of the outstanding shares of Sibzoloto at the time the Company completes the sale of its Karchiga Project;
- 2) In the event that the proceeds from the sale of the Karchiga Project are not received by June 30, 2017, subject to regulatory approval to be sought at that time, the Company will issue a further 378,731,348 common shares of Orsu (the "Top-up Shares") to the Sellers such that the Sellers will own in aggregate a combined total of 525,337,031 common shares of Orsu or, approximately, 74.2% of the enlarged share capital of Orsu (or 72.5% of the total enlarged and fully diluted outstanding common shares of Orsu, assuming exercise of all issued and outstanding options). The issuance of the Top-up Shares will be conditional upon the Sellers transferring the 700 remaining shares in Sibzoloto such that Orsu owns all 1,000 shares (100%) of Sibzoloto. Any subsequent receipt of proceeds from the sale of the Karchiga Project will inure to the benefit of all shareholders of Orsu as at a date to be established in the definitive sale and purchase documentation (excluding the Sellers).
- 3) Orsu will acquire 100% of LLC Davenda, a company under effective control of the Sellers, that owns the fully operational work camp located near the Sergeevskoe Project area for aggregate cash consideration of \$600,000, with \$180,000 to be paid on closing of the Sergeevskoe Acquisition and the balance of \$420,000 to be paid to the Sellers within ten days after completion of the sale of the Karchiga Project. In the event the sale of the Karchiga Project is not completed by June 30, 2017, the balance of \$420,000 will be within ten days after June 30, 2017. The acquisition by Orsu of LLC Davenda is inter-conditional with the acquisition by Orsu of Sibzoloto.

During the three months ended September 30, 2016 the Company undertook some initial trenching work at the Sergeeskoe Project and incurred expenditures of \$26,000 towards expected total expenditures of \$350,000 for 2016, which will be funded by the Company.

**QUALIFIED PERSON**

Dr Alexander Yakubchuk, Chief Operating Officer for Orsu and a qualified person as such term is defined in NI 43-101, has reviewed and approved the contents of this MD&A relating to the Sergeevskoe Project. Dr Alexander Yakubchuk has verified the data disclosed in this MD&A, including sampling, analytical and test data underlying the information or opinions contained in this MD&A.

**Orsu Metals Corporation**

**Management's Discussion & Analysis ("MD&A") for the period ended September 30, 2016**

**SUMMARY OF THE QUARTERLY RESULTS FOR 2016 AND 2015**

(Prepared in accordance with IFRS)

Expressed in \$000s' except where indicated	September 30 2016 (Unaudited)	June 30 2016 (Unaudited)	March 31 2016 (Unaudited)	December 31 2015 (Unaudited)
Loss from continuing operations	(1,031)	(334)	(407)	(2,006)
Gain/ (loss) from discontinued operation	544	(33)	(30)	(4,328)
<b>Net loss and comprehensive loss for the period</b>	<b>(487)</b>	<b>(367)</b>	<b>(437)</b>	<b>(6,334)</b>
<i>Net loss attributable to shareholders of the Company:</i>				
Loss from continuing operations	(1,011)	(310)	(388)	(1,979)
Net gain/ (loss) from discontinued operation	544	(33)	(30)	(4,328)
	(467)	(343)	(418)	(6,307)
<i>Net loss attributable to non-controlling interest:</i>				
Loss from continuing operations	(20)	(24)	(19)	(27)
Loss from discontinued operation	-	-	-	-
	(20)	(24)	(19)	(27)
<u>Loss per Common Share from continuing operations</u>				
Basic	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)
Diluted	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)
<u>Loss per Common Share from net loss and comprehensive loss</u>				
Basic	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.03)
Diluted	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.03)
Weighted average number of common shares (in thousands) (note 1)	182,696	182,696	182,696	182,696

Note

1. Weighted average number of common shares of the Company includes basic and diluted. All share purchase options and share purchase warrants of the Company outstanding during 2016 and 2015 are anti-dilutive.

**Orsu Metals Corporation**

**Management's Discussion & Analysis ("MD&A") for the period ended September 30, 2016**

**SUMMARY OF THE QUARTERLY RESULTS FOR 2015 AND 2014**

(Prepared in accordance with IFRS)

Expressed in \$000s' except where indicated	September 30 2015 (Unaudited)	June 30 2015 (Unaudited)	March 31 2015 (Unaudited)	December 31 2014 (Unaudited)
Net loss from continuing operations	(1,167)	(547)	(764)	(1,976)
Loss from discontinued operation	(72)	(18)	(58)	(34)
<b>Net loss and comprehensive loss for the period</b>	<b>(1,239)</b>	<b>(565)</b>	<b>(822)</b>	<b>(2,010)</b>
<i>Net loss attributable to shareholders of the Company:</i>				
Loss from continuing operations	(1,115)	(506)	(726)	(1,850)
Loss from discontinued operation	(72)	(18)	(58)	(34)
	(1,187)	(524)	(784)	(1,884)
<i>Net loss attributable to non-controlling interest:</i>				
Loss from continuing operations	(52)	(41)	(38)	(126)
Loss from discontinued operation	-	-	-	-
	(52)	(41)	(822)	(126)
<u>Loss per Common Share from continuing operations</u>				
Basic	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)
Diluted	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)
<u>Loss per Common Share from net loss and comprehensive loss</u>				
Basic	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)
Diluted	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)
Weighted average number of common shares (in thousands) (note 1)	182,696	182,696	182,696	182,696

Note

1. Weighted average number of common shares of the Company includes basic and diluted. All share purchase options and share purchase warrants of the Company outstanding during 2015 and 2014 are anti-dilutive.

**FINANCIAL REVIEW**

For the nine months ended September 30, 2016 the Company reported a net comprehensive loss of \$1.3 million, compared to a net loss of \$2.6 million for the nine months ended September 30, 2015.

In April, the Company announced the sale of both the Karchiga Project and the Kogodai Project and thus the net assets and liabilities in relation to both projects as at September 30, 2016 have been classified as "Assets held for sale" and separately the combined net losses of the Karchiga Project and Kogodai Project disclosed as "Disposal group assets held for sale" for the nine months ended September 30, 2016 and 2015 (see below).

In August, the Company completed the disposal of the Akdjol-Tokhtazan Project and recorded a net gain on disposal of \$0.5 million for the nine months ended September 30, 2016.

In September 2016, the Company entered the Sergeevskoe Agreement for the potential acquisition of the Sergeevskoe Project and incurred initial exploration expenditures of \$26,000 for the three months ended September 30, 2016.

As at September 30, 2016 the Company had net assets of \$10.9 million (\$12.2 million as at December 31, 2015) of which \$3.1 million was held in cash and cash equivalents (\$4.7 million as at December 31, 2015).

**RESULTS FOR THE QUARTERS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015**

For the three months ended September 30, 2016 the Company reported a net loss of \$0.5 million compared to a net loss of \$1.2 million for the three months ended September 30, 2015.

The net loss of \$0.5 million consisted of: administrative costs of \$0.4 million (\$0.5 million for the three months ended September 30, 2015) and a net loss from the asset held for sale of \$0.6 million (\$0.47 million for the three months ended September 30, 2015). These losses were partially offset by a net gain on the disposal of the Akdjol-Tokhtazan Project of \$0.5 million (a net loss of \$72,000 for the three months ended September 30, 2015). In addition, for the three months ended September 30, 2016 the Company incurred exploration expenditure of \$26,000 in relation to the Sergeevskoe Project. For the three months ended September 30, 2015 the Company incurred legal and professional costs of \$0.1 million and a stock based compensation charge of \$0.1 million.

There was a \$0.1 million decrease in quarter on quarter administration costs resulting from reductions in head office costs following the expiry of the property lease at the Company's former head office in February offset by expenditures associated with the termination of the lease. Consequently, the general trends will continue to be reductions in quarter on quarter administration expenditures.

In relation to the disposal group assets held for sale there was a quarter on quarter increase of \$0.13 million. This was due primarily to a charge in the three months ended September 30, 2016 of \$0.46 million in relation to a fair value adjustment to the net assets of the disposal group. This was partially offset by a quarter on quarter reduction of \$33,000 in exploration work at the Kogodai Project and quarter on quarter reduction in net foreign exchange losses of \$0.3 million. The Company is currently minimising expenditures at both the Karchiga Project and the Kogodai Project and maintaining both projects on a care and maintenance basis whilst it looks to successfully complete the Karchiga Transaction and the Kogodai Transaction.

For the three months ended September 30, 2016 the company recorded a net gain on disposal of the Akdjol-Tokhtazan Project. The net gain consisted of net liabilities to be assumed by the purchaser of \$559,000 less costs of disposal of \$6,000 and net losses until the date of disposal of \$9,000.

During the three months ended September 30, 2016 the Company undertook some initial trenching work at the Sergeevskoe Project and incurred expenditures of \$26,000 towards expected total expenditures of \$350,000 for 2016, which will be funded by the Company.

**COMPARISON OF QUARTERLY RESULTS FOR 2016, 2015 AND 2014**

During 2014 and 2015 the Company did not raise significant cash and along with the continuing adverse economic environment its main financial objective was to preserve its cash assets, maintain its exploration projects and continued corporate activities. As a result, the general trend of quarterly results over 2015 and 2014 were determined by these overriding financial objectives rather than seasonal variations, variations in base metal prices, regulatory matters or other factors. The overriding financial objective of preserving its cash assets continued into 2016 until the Company can complete the disposal of the Karchiga Project.

A comparison of the quarterly results for 2016 and 2015 show that the net losses were lower in 2016 compared to 2015 as the Company vacated its head office premises in London and minimised expenditures at the Karchiga Project and the Kogodai Project as it looks to complete the successful disposal of both projects.

In order to reduce cash expenditures, during 2014 and 2015 the Company made reductions in headcount and office lease costs at its offices in Kazakhstan and its London head office, legal and professional costs at its head office and a reduction of exploration work whilst maintaining the good standing of the exploration licenses.



**Management's Discussion & Analysis ("MD&A") for the period ended September 30, 2016**

---

A comparison of the quarter on quarter results between 2015 and 2014 show that the net losses were lower in 2015 compared to 2014 except for the third and fourth quarters of 2015 compared to the third and fourth quarters of 2014.

In the third quarter of 2015 the Company incurred a net foreign exchange loss of \$0.3 million, excluding this charge gives a comparable third quarter net losses of \$0.9 million for 2015 and \$1.1 million for 2014.

The loss of \$6.3 million during the fourth quarter of 2015 included a loss of \$4.3 million in relation to an impairment charge and net losses of the discontinued operation, an impairment charge of \$0.8 million in relation to the Karchiga Project, a charge of \$0.4 million in relation to a bad debt provision from Equus Petroleum plc ("Equus") (see section "Transactions with related parties – (b) Equus") and an adjustment to Kazakh Value Added Tax ("VAT") recoverable amounts of \$0.2 million. Excluding these items gave a comparable loss of \$0.6 million.

For the fourth quarter of 2014 the Company reported a net loss of \$2.0 million which included a few one-off items of expense totalling \$1.1 million comprising a provision of \$0.4 million for an "onerous lease", in relation the Company's London head office, a charge for previously deferred finance costs of \$0.5 million in relation to debt finance no longer available and an adjustment to Kazakh VAT recoverable amounts of \$0.2 million. Excluding these charges gave a net loss of \$0.9 million for the fourth quarter of 2014.

The general trend has been for the Company's continuing operations to incur lower quarter on quarter costs in relation to administration, legal and professional and exploration work as the Company continued to make cost reductions in headcount, audit and tax advisory fees, property rental costs and minimising exploration work whilst maintaining its exploration licenses in good standing.

The exception to the general trend outlined above is that for the fourth quarter of 2016, the Company expects to incur \$350,000 in relation to exploration work at the Sergeevskoe Project.

**RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015**

For the nine months ended September 30, 2016 the Company reported a net loss of \$1.3 million compared to a net loss of \$2.6 million for the nine months ended September 30, 2015.

The net loss of \$1.3 million for the nine months ended September 30, 2016 consisted of total losses of \$1.8 million partially offset by a net gain of \$0.5 million. The losses of \$1.8 million consisted of: administrative costs of \$0.7 million (\$1.3 million for the nine months ended September 30, 2015), legal and professional costs of \$0.2 million (\$0.3 million for the nine months ended September 30, 2015), a net loss of \$0.8 million in relation to the disposal group asset held for sale (\$0.9 million for the nine months ended September 30, 2015), exploration costs in relation to the Sergeevskoe Project of \$26,000 (nil for the nine months ended September 30, 2015) and foreign exchange losses of \$30,000 (\$15,000 for the nine months ended September 30, 2015). The losses for the nine months ended September 30, 2016 were partially offset by a net gain of \$0.5 million (a net loss of \$0.1 million for the nine months ended September 30, 2015) following the disposal of the Akdjol-Tokhtazan Project in August 2016. For the nine months ended September 30, 2015 the Company incurred a stock based compensation charge of \$0.1 million. The losses for the nine months ended September 30, 2015 were partially offset by net finance income of \$0.1 million.

There was a year on year decrease in administration costs of \$0.6 million primarily due to a reduction of \$0.3 million head office costs at the London head office resulting from a decrease in headcount and office lease expenditures, and a release of \$0.2 million in relation an "onerous lease" provision following the expiry of the Company's lease in February at its former head office and a rebate of its rental deposit net of dilapidations of \$0.1 million.

There was a small year on year decrease of \$0.1 million in legal and professional expenditures as the Company had already substantially completed during 2015 advisory work undertaken at head office in relation to the Karchiga Transaction and the Kogodai Transaction. The Company looked to minimise legal and professional expenditures using alternative services and undertaking some work internally.

In relation to the disposal group asset held for sale there was a year on year decrease of \$0.1 million. The reduction was due primarily because in the nine months ended September 30, 2015 the Company incurred a net currency loss of \$0.4 million following a devaluation in August 2015 of the Kazakh Tenge to U.S. dollar exchange rate which impacted on the Company's Kazakh monetary assets. In addition, there were year on year reductions of \$0.1 million in administration costs following reductions in headcount and office lease costs at the Karchiga Project and a \$0.1 million reduction in exploration expenditures in relation to the Kogodai Project. These losses were partially offset by a fair value adjustment charge of \$0.5 million to the carrying value of net assets of the disposal group as at September 30, 2016.

For the nine months ended September 30, 2016 the Company incurred initial exploration work at the Sergeevskoe Project of \$26,000 towards expected total expenditures of \$350,000 for 2016, which will be funded by the Company.

## Orsu Metals Corporation

### Management's Discussion & Analysis ("MD&A") for the period ended September 30, 2016

For nine months ended September 30, 2016 the Company incurred foreign exchange losses of \$30,000 in relation to currency losses on the translation of the Company net GBP£ cash assets.

The losses were partially offset by a net gain on the disposal of the Akdjol-Tokhtazan Project in August 2016 of \$0.5 million.

For the nine months ended September 30, 2015 the Company reported net finance income of \$0.1 million in relation to interest income on the Company's net cash assets.

The Company's cash and cash equivalents decreased in the nine months ended September 30, 2016 by \$1.5 million to \$3.1 million compared to a decrease of \$2.1 million in the nine months ended September 30, 2015. The decrease of \$1.5 million for the nine months ended September 30, 2016 was due primarily to corporate and exploration expenditure of \$1.47 million and a \$58,000 for expenditure on property, plant and equipment.

In respect of the Company's cash flows, the decrease in cash and cash equivalents for the nine months ended September 30, 2015 was \$2.1 million. The decrease of \$2.1 million for nine months ended September 30, 2015 was due primarily to corporate and exploration expenditure of \$2.05 million and a \$68,000 for expenditure on property, plant and equipment.

#### FINANCIAL POSITION AS AT SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

As at September 30, 2016 the Company's net assets were \$10.9 million, compared with \$12.2 million as at December 31, 2015, of which \$3.1 million consisted of cash and cash equivalents (\$4.7 million as at December 31, 2015).

The decrease in net assets of \$1.3 million was primarily due to corporate, exploration and capital cash expenditure of \$1.5 million partially offset by a reduction in liabilities of \$0.2 million following the release of the provision for the "onerous lease" as described above.

#### ASSETS HELD FOR SALE

The net losses pertaining to the disposal group included in the consolidated statement of net loss and comprehensive loss for the nine months ended September 30, 2016 and September 30, 2015 are shown below:

	2016	2015
	\$000	\$000
Administration expenses	(274)	(388)
Foreign exchange losses	3	(345)
Exploration	(75)	(134)
Fair value adjustment	(464)	-
Loss on disposal group held for sale	<u>(810)</u>	<u>(867)</u>

The net assets of the disposal group as at September 30, 2016 are shown below:

	2016
	\$000
Cash and cash equivalents	19
Prepayments	104
VAT	80
Property, plant and equipment	8,329
Fair value adjustment	<u>(464)</u>
	8,068
Accounts payable and accrued liabilities	(41)
Net assets of disposal group held for sale	<u><u>8,027</u></u>

#### DISCONTINUED OPERATION AND DISPOSAL OF AKDJOL-TOKHTAZAN PROJECT

The net losses pertaining to the discontinued operation included in the consolidated statement of net loss and comprehensive loss for the nine months ended September 30, 2016 and 2015 are shown below:

	2016	2015
	\$000	\$000
Administration expenses	(64)	(83)
Foreign exchange (loss)/ gain	<u>(8)</u>	<u>7</u>
Loss of discontinued operation	(72)	(76)

## Orsu Metals Corporation

### Management's Discussion & Analysis ("MD&A") for the period ended September 30, 2016

---

The net gain on disposal as September 30, 2016 is set out below:

	\$000
Net liabilities disposed	559
Less disposal costs	(6)
Net gain on disposal	<u>553</u>

#### LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2016 the Company's main source of liquidity was unrestricted cash and cash equivalents of \$3.1 million, compared with \$4.7 million as at December 31, 2015.

The Company measures its consolidated working capital as comprising free cash, accounts receivable, prepayments and other receivables, less accounts payable and accrued liabilities. As at September 30, 2016 the Company's consolidated working capital was \$2.9 million (compared with consolidated working capital of \$3.9 million as at December 31, 2015).

In the past the Company has funded the development of its exploration licenses, assessment of new exploration licenses as well as its corporate and administration requirements through either equity raised financing or through the sale of its interest in exploration or investment properties. This has included:

- (a) funding of exploration expenditure in relation to the Karchiga Project up to the filing of the Karchiga Definitive Feasibility Study Report in March 2012, and thereafter development expenditure at the Karchiga Project;
- (b) funding exploration work at certain former projects of the Company; and
- (c) the funding of the acquisition of, and preliminary exploration costs at, the Kogodai Project.

The Company's working capital needs as at September 30, 2016 included the funding of its corporate and administrative expenditure requirements, funding of exploration work at the Sergeevskoe Project and funding on a care and maintenance basis costs at both the Karchiga Project and the Kogodai Project until the Company can successfully complete the Karchiga Transaction and the Kogodai Transaction. The Company expects to fund its working capital requirements from its existing cash resources for the remainder of 2016 from its unrestricted cash of \$3.1 million as at September 30, 2016 and net proceeds from the completion of the Karchiga Transaction and the Kogodai Transaction.

During the nine months ended September 30, 2016 the net cash used by the Company's operating expenditures was \$1.5 million, compared to \$2.1 million for the nine months ended September 30, 2015.

The minimum working capital the Company estimates for 2016 is set out below:

	Estimate for the full year \$000
Estimated corporate and administrative expenditure <sup>(1)</sup>	2,136
Sergeevskoe Project exploration	<u>355</u>
Total	2,491

Note:

- (1) In estimating the forecast expenditures, the Company has applied an assumed average 2016 exchange rate of GBP£/ \$ of 1.4882 for its UK corporate expenditures. The estimated expenditure excludes significant exploration expenditures at the Karchiga Project and Kogodai Project, but does include estimates of continuing administrative costs for those projects during the completion period.
- (2) The above does not include any potential cash consideration for the acquisition of the Sergeevskoe Project.

The Company holds most its surplus cash in U.S. dollars, CAD\$, and GBP£ and manages such deposits considering its forecast cash needs and available market interest rates. Most the Company's expenditures are in U.S. dollars, British Pounds Sterling, Kazakh Tenge and Canadian Dollars. The Company's liquidity may, therefore, be adversely affected by, amongst other things, the ability of the Company to accurately forecast its operating cash needs in the aforementioned currencies, its ability to convert its cash funds from U.S. dollars into the other aforementioned currencies, unfavorable movements in the U.S. dollar exchange rate relative to the aforementioned currencies and the Company's ability to earn interest on its cash deposits. Further information regarding the Company's liquidity risk, currency risk and interest rate risk may be found in the Company's Annual Financial Statements.

## Orsu Metals Corporation

### Management's Discussion & Analysis ("MD&A") for the period ended September 30, 2016

#### COMMITMENTS

The Company's commitments related to a lease obligation are for its previous London head office for property rents (excluding service charges and property taxes), payable under a lease agreement which expired in February 2016. Thereafter, effective February 1, 2016 the Company relocated to temporary offices under a short term monthly rent agreement until June 1, 2016 and therefore had no further long term commitments.

#### DERIVATIVE FINANCIAL INSTRUMENTS

In July 2013, the Company completed a subscription with a wholly owned subsidiary of Gold Fields Limited ("Gold Fields" or collectively with certain of its subsidiaries, the "Gold Fields Group") for 25 million units of the Company (each a "Unit") at a price of CAD\$0.40 per Unit for gross proceeds of CAD\$10 million (the "Subscription"), with each Unit consisting of one common share of the Company (a "Common Share") and one half of one common share purchase warrant (each whole warrant, a "Warrant"), each Warrant being exercisable for a period of three years from the date of issue to acquire one Common Share at a price of CAD\$0.50. Following the completion of the Subscription the Company received in cash the gross proceeds from the Subscription of CAD\$10 million, \$9.6 million, plus a further CAD\$35,446 of accumulated interest. The Company subsequently accounted for the Warrants issued to Gold Fields as a derivative instrument. The Warrants expired on July 25, 2016.

A summary of the changes in the Company's share purchase warrants during the nine months ended September 30, 2016 and year ended December 31, 2015 are set out below:

	2016			2015		
	Warrants Outstanding 000s'	Value Assigned \$000	Average exercise price CAD\$	Warrants Outstanding 000s'	Value Assigned \$000	Average exercise price CAD\$
Balance – Beginning of period	12,500	5	0.50	12,500	46	0.50
Fair value re-measurement	(12,500)	(5)		-	(41)	
Balance – End of the period	-	-		12,500	5	0.50

#### TRANSACTIONS WITH RELATED PARTIES

##### (a) Key management compensation

Key management includes directors and officers. The salaries and other short term employee benefit compensation paid or payable to key management for employee services is shown below.

	Nine months ended September 30,	
	2016 \$000	2015 \$000
<i>Directors</i>		
Dr Sergey V Kurzin	165	210
Dr Alexander Yakubchuk	158	192
Mr Mark Corra	18	30
Mr Massimo Carello	18	30
Mr David Rhodes	18	30
Mr Timothy Hanford (directorship ceased June 22, 2015)	-	14
	<u>377</u>	<u>506</u>
<i>Senior officers</i>		
Mr Kevin Denham	133	158
Mr Christopher Power (resigned effective April 30, 2015)	-	67
	<u>133</u>	<u>225</u>
<i>Other key management personnel</i>	83	92
<b>Total</b>	<u><b>593</b></u>	<u><b>823</b></u>

Notes:

Key management compensation is denominated in currencies other than \$ (principally in GBP Sterling) and the amounts above are translated at the prevailing rate in accordance with the Company's policy for currency transactions. There have been no changes in the amounts paid to key management personnel and the differences above arise entirely from movements in the relevant exchange rates (primarily GBP to \$).

(b) *Equus*

The Company and Equus had a common director, Dr Sergey Kurzin, as at December 31, 2015. Dr Kurzin is Executive Chairman of Orsu was Non-Executive Chairman of Equus until his resignation from Equus effective February 18, 2016. Dr Kurzin's roles at Orsu and Equus are considered to be key management for both companies as defined under IAS 24 "Related Party Disclosures".

Up to January 31, 2015, the Company charged Equus for services relating to property rent, administration support, office service and future dilapidation expenses. As at September 30, 2016 the total receivable was \$266,905 (\$375,194 as at December 31, 2015). The amounts receivable from Equus accrue interest of 4% per annum, above the Barclays Base Rate, from the due date of payment until the date of payment. The charges for all the services provided to Equus, as well as the interest charged on overdue payments from Equus, are on normal commercial terms. In accordance with the Company policy for outstanding receivables of more than 12 months as at December 31, 2015 made a provision for the full amount outstanding. In August 2016, the Company agreed with Equus a repayment plan for the outstanding debt of £230,546 with £60,000 to be paid in the remainder of 2016 and the remaining amount to be settled in monthly instalments by July 2017. Equus acknowledge the debt, and it is not in dispute, and during the nine months ended September 30, 2016 the Company received £25,000 from Equus (including £10,000 received prior to the agreement of the repayment plan) and a further £30,000 was received in October 2016 (including the instalment due for November 2016). The remainder of the change in the period is due to currency movements between GBP and \$.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company's accounting policies are essential to understanding and interpreting the financial results reported in the Company's unaudited interim consolidated financial statements which have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting". The accounting policies applied in these interim consolidated financial statements are the same as those applied in the Company's Annual Financial Statements except for the following:

- The Company has classified the assets and liabilities, measured at fair value less costs to sell, on the balance sheet as at September 30, 2016 as "Assets Held for Sale" and reported the net losses of both the Karchiga Project and Kogodai Project in the consolidated statement of net losses and comprehensive loss as "Assets Held for Sale" for the nine months ended September 30, 2016.

In the period to September 30, 2016 there have been no new or amended standards adopted by the Company which have had a material change to the Company's financial statements. In addition, there have been no new, or amendments to, standards and interpretations issued which are not effective for annual periods starting on 1 January 2016, but will become effective for later annual periods, and have not been applied in preparing the unaudited consolidated financial statements for the period ended September 30, 2016.

**RISKS AND UNCERTAINTIES**

There have been no significant changes to the Company's risks and uncertainties during the nine months ended September 30, 2016. Readers of this MD&A should refer to a full analysis of the "Risk and uncertainties" detailed in the Company's MD&A for the year ended December 31, 2015 and consider the information included in this document and the Company's consolidated financial statements, including the notes hereto.

**FORWARD-LOOKING INFORMATION**

This MD&A contains or refers to forward-looking information. All information, other than information regarding historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Such forward-looking information includes, without limitation, statements relating to: the estimate, use and sufficiency of the Company's working capital and the Company's ability to fund its working capital requirements; the potential disposition of one or more of the Company's exploration interests or exploration projects as well as the seeking of business opportunities other than such exploration projects; the potential raising of additional funding through the Sale and Purchase Agreement for the disposition of the Karchiga Transaction and the Kogodai Transaction and the proposed uses and allocation thereof; the Company's determination that the Kogodai Project is in good standing and not at risk from default; the proposed terms and conditions of the Sergeevskoe Acquisition; the anticipated trend of decreasing administration expenditures; and the Company's future growth (including new opportunities and acquisitions) and its ability to raise or secure new funding.

The forward-looking information in this MD&A reflects the current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward-looking information contained in this MD&A, the Company has made assumptions regarding, among other things, the Company's ability to generate sufficient funds from debt sources and/or capital markets and the sale of properties to meet its future expected obligations and planned activities, the economy and the mineral exploration and extraction industry in general, available historical information will be useful to the Company's evaluation of the geological and metallurgical risks for the Sergeevskoe Project; the political environments and the regulatory frameworks in Kazakhstan and Kyrgyzstan with respect to, among other things, the mining industry generally, royalties, taxes, environmental matters and the Company's ability to obtain, maintain, renew and/or extend required permits, licenses, authorisations and/or approvals from the appropriate regulatory authorities, including the previous waiver granted by the relevant ministry in Kazakhstan, currently the Competent Authority, which covers any pre-emptive right that the Competent Authority or State has in respect of any past placements, future capital, operating and production costs and cash flow discounts, anticipated mining and processing rates, assumptions relating to the Company's critical accounting policies, and has also assumed that no unusual geological or technical problems occur, no material adverse change in the price of copper, gold or molybdenum occurs and no significant events occur outside of the Company's normal course of business.

Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: completion of the Karchiga Transaction and the Kogodai Transaction; uncertainty of capital and operating costs, adverse changes in commodity prices; the inability of the Company to obtain required financing for its planned activities; the inability of the Company to obtain required financing on favourable terms at all or arrange for the disposition of, and find potential buyers for, the Company's exploration interests or exploration projects; the negotiation and execution of the Sergeevskoe Agreement before the expiry of the exclusivity period; unsatisfactory due diligence results, the failure to obtain the necessary approval of the Russian Federation for the transfer of ownership of the Sergeevskoe Project, the failure to obtain approval of the Sergeevskoe Acquisition by Orsu shareholders, the failure to obtain the required authorizations and/or approvals from the TSX; the Company's inability to obtain, maintain, renew and/or extend required licenses, permits, authorizations and/or approvals from the appropriate regulatory authorities, adverse changes in the political environments in Kazakhstan and Kyrgyzstan and the laws governing the Company, its subsidiaries and their respective business activities; inflation; changes in exchange and interest rates; adverse general market conditions; lack of availability, at a reasonable cost or at all, of equipment or labour; the inability to attract and retain key management and personnel; the possibility of non-resident class members commencing individual claims in connection with the Claim; the possibility of non-compliance with environmental or other applicable laws and regulations; the Company's inability to delineate additional mineral resources and mineral reserves; and future unforeseen liabilities and other factors including, but not limited to, those listed under "Risk and Uncertainties" in this MD&A.

Any Russian style A, B, C1, C2 and P category figures referred to herein are historical estimates and no assurances can be given that the indicated levels of minerals will be verified and/or produced. Such estimates made at a given time may significantly change when new information becomes available. By their nature such estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Due to the uncertainty that may be attached to such estimates, it cannot be assumed that all or any part of such estimates will be upgraded to mineral resource because of continued exploration.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether because of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking

## Management's Discussion &amp; Analysis ("MD&amp;A") for the period ended September 30, 2016

information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

**CONTROLS AND PROCEDURES****Disclosure Controls and Procedures**

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is reported within the time periods specified under securities laws and ensure that information is communicated to management of Orsu, including the Chief Operating Officer (acting as Chief Executive Officer) and Chief Financial Officer, to allow timely decisions regarding required disclosure. The Company has performed an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in NI 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings). Based on that evaluation, the Chief Operating Officer (acting as Chief Executive Officer) and the Chief Financial Officer of Orsu have concluded that the design and operation of the Company's disclosure controls and procedures were effective as at the date of this MD&A.

**Internal Controls over Financial Reporting ("ICFR")**

The Chief Operating Officer (acting as Chief Executive Officer) and Chief Financial Officer of Orsu are responsible for establishing and maintaining adequate ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports and/or statements for external purposes in accordance with IFRS. The Chief Operating Officer (acting as Chief Executive Officer) and Chief Financial Officer of Orsu directed the assessment of the design and operating effectiveness of the Company's ICFR as at the date of this MD&A and based on that assessment determined that the Company's ICFR, no matter how well designed, has inherent limitations. Therefore, the ICFR can only provide reasonable assurance with respect to financial statement preparation and may not prevent all misstatements, errors or fraud.

**Material weakness relating to design and operation of ICFR**

During the assessment of the design and operating effectiveness of the Company's ICFR, it was noted that, due to the limited number of financial staff at some of the Company's locations, it was not feasible to achieve complete segregation of duties with respect to all internal control functions and processes. This failure to achieve complete segregation of duties combined with the decentralised nature of the Company's operations increases the risk of misstatement. This risk is proactively managed and mitigated through regular internal reporting of financial transactions, maximum use of system-generated transaction audit reports, stringent staff selection policies and employer references and by the Chief Financial Officer continuing to regularly visit and review the activities of the Company's overseas finance departments.

While management of the Company has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Company's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated. There were no changes made to the Company's ICFR during the three months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

**OTHER INFORMATION****Additional information:**

Additional information relating to the Company, including the Company's Annual Information Form dated March 30, 2016 may be accessed through SEDAR on the internet at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.orsumetals.com](http://www.orsumetals.com).

**Disclosure of Outstanding Share Data**

The following table sets forth information concerning the outstanding securities of the Company as at November 11 2016:

Outstanding Securities	Number in issue	Number of new shares if exercised in full
Common Shares	182,696,049	N/A
Share Options <sup>(1)</sup>	15,700,000	15,700,000

**Notes:**

- The share options were granted on September 2, 2015. Up to 15,700,000 Common Shares are issuable on exercise of such share options which expire on September 2, 2020.

END