

Orsu Metals Corporation

Management's Discussion and Analysis of Results
March 31, 2016 and 2015

(Figures in United States Dollars)

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Orsu Metals Corporation

Management's Discussion & Analysis ("MD&A") for the period ended March 31, 2016

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STOCK EXCHANGES

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

The effective date of this MD&A is May 12, 2016.

INTRODUCTION

Orsu Metals Corporation ("Orsu" or the "Company") is a base and precious metals exploration and development company listed on TSX (TSX: OSU). The Company currently holds exploration licenses in the Republic of Kazakhstan (or "Kazakhstan") and within the Kyrgyz Republic (or "Kyrgyzstan") and to date the Company has focused on the acquisition and development of exploration licenses in Kazakhstan. The Company is now seeking to dispose of its exploration and development projects in Kazakhstan and to utilise the sale proceeds to identify new metal exploration opportunities potentially outside of Kazakhstan and Kyrgyzstan. In addition, the Company is still seeking to sell its exploration project in Kyrgyzstan.

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 (see "Post quarter highlights" below) 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 comprising 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. As a result, 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 an initial consideration of \$7.75 million, plus deferred consideration of up to \$2 million based on relief for corporate tax losses and the future recovery of Value Added Tax ("VAT") accumulated by MLD (the "Karchiga Transaction") subject to various conditions (as set out below in "Operational review – Conditional sale of Karchiga Project, Kazakhstan").

Kogodai Project

This 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 into a separate agreement with Karasat to sell its effective 51% interest in the Kogodai Project for \$10,000 (the "Kogodai Transaction") subject to the conditions (as set out below in "Operational review – Conditional sale of Kogodai Project, Kazakhstan").

Other asset in Kyrgyzstan

The Company's exploration interest in Kyrgyzstan consists of the Akdjol and Tokhtazan exploration licenses (the "Akdjol-Tokhtazan Project"). The exploration license area for the Akdjol-Tokhtazan Project is located 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. Since 2011 the Company has sought to dispose of the Akdjol-Tokhtazan Project but has not been able to successfully dispose of the project. As a result, as at December 31, 2015 the Company decided to suspend work at the Akdjol-Tokhtazan Project.

FIRST QUARTER 2016 HIGHLIGHTS

- A year on year reduction of \$0.4 million in net losses to \$0.4 million for the three months ended March 31, 2016, from \$0.8 million for the three months ended March 31, 2015, along with a year on year reduction of \$0.3 million in net cash outflows for the quarter.
- As at March 31, 2016 the Company had cash and cash equivalents of \$4.1 million and expects to have sufficient working capital to fund its exploration and administration obligations for the next 12 months.
- In January 2016, the Company announced that further to an exclusivity agreement in April 2015 (the "Exclusivity Agreement") with David Invest LLP and a related company, David Way Limited (together the "Potential Buyers"), the Potential Buyers had not exercised their option to purchase the Akdjol-Tokhtazan Project before the deadline of December 31, 2015 and consequently, the Exclusivity Agreement had lapsed

and that the Company and would continue discussions with the Potential Buyers, as well as other interested parties, on a non-exclusive basis.

- In January 2016, the Company announced that it received confirmation from the relevant Kyrgyz authorities that the licenses for its Akdjol-Tokhtazan Project had been extended until January 1, 2020.
- In February 2016, the Company announced that its UK registered office had changed to Berkeley Square House, Berkeley Square, London W1J 6BD, United Kingdom following the end of the Company's lease for its former offices at 1 Red Place, London on February 6, 2016.

POST QUARTER HIGHLIGHTS

- In April 2016, the Company announced that it entered into two separate agreements in respect of the Karchiga Transaction and the Kogodai Transaction for the sale of the Karchiga Project and Kogodai Project to Karasat subject to the successful completion of various conditions as set out in (as set out in "Operational review – Conditional sale of Karchiga Project, Kazakhstan" and "Conditional sale of Kogodai Project, Kazakhstan").
- In May 2016, the Company announced that it had received \$100,000 deposit from Karasat pursuant to the terms of the Karchiga Transaction (as set out in "Operational review – Conditional sale of Karchiga Project, Kazakhstan" and "Conditional sale of Kogodai Project, Kazakhstan").
- In May 2016, the Company announced that effective from May 11, 2016 its shares were no longer admitted for trading on the London Alternative Investment Market ("AIM").

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. As a result, during the three months ended March 31, 2016 the Company undertook discussions with Karasat for the eventual sale of the Karchiga Project and Kogodai Project which were announced in April.

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"), the immediate parent of MLD, holder of the exploration license for the Karchiga exploration property.

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

- a) Approval of the Karchiga Transaction by shareholders by way of a resolution for the sale, to be proposed at the Company's upcoming annual and special meeting;
 - b) Karasat obtaining the requisite antimonopoly approval from the relevant Kazakh authorities (the "Antimonopoly Approval");
 - c) The Company obtaining the formal consent to the change in ownership from the Ministry of Industry and Development (the "MID", the relevant Kazakh authority) which is required under Kazakh law (the "Consent");
 - d) The Company obtaining an amendment to the licences to delay commencement of production to the first quarter of 2019 (the "Amendment"), and
 - e) 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, the Consent or the Antimonopoly Approval are outstanding and Karasat does not agree to extend the longstop date, the Sellers will repay the deposit to Karasat;
 - A longstop date of October 11, 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 also be extended 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) contains customary commercial warranties and indemnities from the sellers.

Upon the completion of the conditions set out above, the sale consideration for the Karchiga Transaction is:

- a) A deposit of \$100,000, payable within 14 business days of signing the Karchiga Transaction. Subsequent to the period end the Company received \$100,000 from Karasat in May 2016;
- b) An initial consideration of \$7.75 million (less the deposit) 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 Gold Corp. ("Lero", the intermediate holding company for the Karchiga Project);
 - \$230 for the 94.75% interest in MLD held by Eildon.
- c) Deferred consideration of up to \$2 million based on 67% of relief obtained for corporate tax losses or recovery of VAT accumulated to the completion date by MLD;

In view of the relative size of the Karchiga transaction to the total assets the Company will seek shareholder approval for the Karchiga Transaction at its Annual and Special Shareholder Meeting scheduled for June 2016.

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.

In April 2016, the Company entered into an agreement in respect of the Kogodai Transaction to sell its interest in the Kogodai Project for \$10,000 subject to the Company obtaining formal consent to the change in ownership from the MID, which is required under Kazakh law.

The Kogodai Transaction is not interconditional 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 exploration during a period of 5 years, ending in 2019, which can be further extended according to the legislation of Kazakhstan and;
- b) the minimum funding obligation for exploration work at the Kogodai Project as an aggregate of 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. As at March 31, 2016 the Company considered the Kogodai licenses to remain in good standing and not at risk of default.

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SUMMARY OF THE QUARTERLY RESULTS FOR 2016 AND 2015

(Prepared in accordance with IFRS)

| Expressed in \$000s' except where indicated | March 31 2016 (Unaudited) | December 31 2015 (Unaudited) | September 30 2015 (Unaudited) | June 30 2015 (Unaudited) |
|---|---------------------------------|------------------------------------|-------------------------------------|--------------------------------|
| Loss from continuing operations | (407) | (2,006) | (1,167) | (547) |
| Loss from discontinued operation | (30) | (4,328) | (72) | (18) |
| Net loss and comprehensive loss for the period | (437) | (6,334) | (1,239) | (565) |
| <i>Net loss attributable to shareholders of the Company:</i> | | | | |
| Loss from continuing operations | (388) | (1,979) | (1,115) | (506) |
| Loss from discontinued operation | (30) | (4,328) | (72) | (18) |
| | (418) | (6,307) | (1,187) | (524) |
| <i>Net loss attributable to non-controlling interest:</i> | | | | |
| Loss from continuing operations | (19) | (27) | (52) | (41) |
| Loss from discontinued operation | - | - | - | - |
| | (19) | (27) | (52) | (41) |
| <u>Loss per Common Share from continuing operations</u> | | | | |
| Basic | \$(0.00) | \$(0.01) | \$(0.01) | \$(0.00) |
| Diluted | \$(0.00) | \$(0.01) | \$(0.01) | \$(0.00) |
| <u>Loss per Common Share from net loss and comprehensive loss</u> | | | | |
| Basic | \$(0.00) | \$(0.03) | \$(0.01) | \$(0.00) |
| Diluted | \$(0.00) | \$(0.03) | \$(0.01) | \$(0.00) |
| 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 considered to be anti-dilutive.

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SUMMARY OF THE QUARTERLY RESULTS FOR 2015 AND 2014

(Prepared in accordance with IFRS)

| Expressed in \$000s' except where indicated | March 31 2015 (Unaudited) | December 31 2014 (Unaudited) | September 30 2014 (Unaudited) | June 30 2014 (Unaudited) |
|---|---------------------------------|------------------------------------|-------------------------------------|--------------------------------|
| Net loss from continuing operations | (764) | (1,976) | (1,049) | (1,171) |
| Loss from discontinued operation | (58) | (34) | (11) | (70) |
| Net loss and comprehensive loss for the period | (822) | (2,010) | (1,060) | (1,241) |
| <i>Net loss attributable to shareholders of the Company:</i> | | | | |
| Loss from continuing operations | (726) | (1,850) | (1,027) | (1,166) |
| Loss from discontinued operation | (58) | (34) | (11) | (70) |
| | (784) | (1,884) | (1,038) | (1,236) |
| <i>Net loss attributable to non-controlling interest:</i> | | | | |
| Loss from continuing operations | (38) | (126) | (22) | (5) |
| Loss from discontinued operation | - | - | - | - |
| | (822) | (126) | (22) | (5) |
| <u>Loss per Common Share from continuing operations</u> | | | | |
| Basic | \$(0.00) | \$(0.01) | \$(0.01) | \$(0.01) |
| Diluted | \$(0.00) | \$(0.01) | \$(0.01) | \$(0.01) |
| <u>Loss per Common Share from net loss and comprehensive loss</u> | | | | |
| Basic | \$(0.00) | \$(0.01) | \$(0.01) | \$(0.01) |
| Diluted | \$(0.00) | \$(0.01) | \$(0.01) | \$(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 considered to be anti-dilutive.

FINANCIAL REVIEW

For the three months ended March 31, 2016 the Company reported a net comprehensive loss of \$0.4 million, compared to a net loss of \$0.8 million for the three months ended March 31, 2015.

In April, the Company announced the sale of both the Karchiga Project and the Kogodai Project and as a result re-classified the assets and liabilities in relation to both projects as at March 31, 2016 as well as the combined net losses of both projects for the three months ended March 31, 2016 and 2015 as "Assets held for sale".

As at March 31, 2016 the Company had net assets of \$11.8 million (\$12.2 million as at December 31, 2015) of which \$4.1 million was held in cash and cash equivalents (\$4.7 million as at December 31, 2015).

RESULTS FOR THE QUARTERS ENDED MARCH 31, 2016 AND MARCH 31, 2015

For the three months ended March 31, 2016 the Company reported a net loss of \$0.4 million compared to a net loss of \$0.8 million for the three months ended March 31, 2015.

The net loss of \$0.4 million for the three months ended March 31, 2016 consisted of: administrative costs of \$0.2 million (\$0.6 million for the three months ended March 31, 2015), legal and professional costs of \$0.1 million (nil for the three months ended March 31, 2015), and a net loss of \$0.1 million in relation to the disposal group asset held for sale (\$0.1 million for the three months ended March 31, 2016). For the three months ended March 31, 2015 the Company also incurred a net loss of \$0.1 million in relation to its discontinued operation.

There was a quarter on quarter decrease in administration costs of \$0.4 million primarily due to a reduction of \$0.2 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.

There was a small quarter on quarter increase of \$0.1 million in legal and professional expenditures due to additional advisory work undertaken at head office in relation to the Company's disposal of its exploration projects in Kazakhstan.

The Company's cash and cash equivalents decreased in the three months ended March 31, 2016 by \$0.6 million to \$4.1 million compared to a decrease of \$0.9 million in the three months ended March 31, 2015. The decrease was due to corporate and exploration expenditure of \$0.6 million (\$0.9 million corporate and exploration expenditure for the three months ended March 31, 2015).

COMPARISON OF QUARTERLY RESULTS FOR 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 objectives 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 have been determined by these overriding financial objectives rather than seasonal variations, base metal prices, regulatory factors or other factors.

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.

A comparison of the quarter on quarter results between 2015 and 2014 show that the net losses were lower in 2015 compared to 2014 with the exception of 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 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 number of 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 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.

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FINANCIAL POSITION AS AT MARCH 31, 2016 AND DECEMBER 31, 2015

As at March 31, 2016 the Company's net assets were \$11.8 million, compared with \$12.2 million as at December 31, 2015, of which \$4.1 million consisted of cash and cash equivalents (\$4.7 million as at December 31, 2015).

The decrease in net assets of \$0.4 million was due primarily to corporate, exploration and capital cash expenditure of \$0.6 million partially offset by a reduction in liabilities of \$0.2 million following the release of the provision for an "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 three months ended March 31, 2016 and March 31, 2015 are shown below:

| | 2016 | 2015 |
|--------------------------------------|-------|-------|
| | \$000 | \$000 |
| Administration expenses | (83) | (103) |
| Foreign exchange losses | (6) | (28) |
| Exploration | (22) | (30) |
| Loss of disposal group held for sale | (111) | (161) |

The net assets of the disposal group as at March 31, 2016 are shown below:

| | 2016 |
|--|--------------|
| | \$000 |
| Cash and cash equivalents | 11 |
| Prepayments | 69 |
| VAT | 68 |
| Property, plant and equipment | 8,298 |
| | <u>8,446</u> |
| Accounts payable and accrued liabilities | (42) |
| Net assets of disposal group held for sale | <u>8,404</u> |

DISCONTINUED OPERATION

Following the expiry in December 2015 of the Exclusivity Agreement with the Potential Buyers the Company concluded that it was no longer appropriate to consider a potential sale as highly probable and as result decided to suspend operations at the Akdjol-Tokhtazan Project. In addition, during the term of the Exclusivity Agreement with the Potential Buyers all expenditures at the Akdjol-Tokhtazan Project were to be funded by the Potential Buyers. This included the Potential Buyers paying for the extension to the licence. At the expiry of the exclusivity agreement with the Potential Buyers as at December 31, 2015 there remained outstanding administration, tax, local staff salary and exploration liabilities for which the Company has recognised a total of \$0.5 million for the year ended December 31, 2015. For the three months ended March 31, 2016 the Company accrued a further \$30,000 for these unsettled liabilities. Due to the Potential Buyers paying to extend the licence at the date the Exclusivity Agreement expired, judgement is required in assessing if the Company will ultimately settle these liabilities.

The net losses pertaining to the discontinued operation included in the consolidated statement of net loss and comprehensive loss for the three months ended March 31, 2016 and 2015 are shown below:

| | 2016 | 2015 |
|--------------------------------|-------|-------|
| | \$000 | \$000 |
| Administration expenses | (30) | (58) |
| Loss of discontinued operation | (30) | (58) |

The net liabilities of the discontinued operation as at March 31, 2016 and December 31, 2015 are shown below:

| | 2016 | 2015 |
|--|-------|-------|
| | \$000 | \$000 |
| Accounts payable and accrued liabilities | (505) | (475) |

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2016 the Company's main source of liquidity was unrestricted cash and cash equivalents of \$4.1 million, compared with \$4.7 million as at December 31, 2015.

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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 March 31, 2016 the Company's consolidated working capital was \$3.3 million (compared with consolidated working capital of \$5.1 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 the Balkhash Project; and
- (c) the funding of the acquisition of, and preliminary exploration costs at, the Kogodai Project.

The Company's working capital needs as at March 31, 2016 included the funding of its corporate and administrative expenditure requirements and funding on a care and maintenance basis costs at both the Karchiga Project and Kogodai Project until the Company is able to successfully complete the Karchiga Transaction and Kogodai Transaction. The Company expects to fund its working capital requirements from its existing cash resources for the remainder of 2016 and be able to contribute towards the pursuit of future growth opportunities (which may include acquiring one or more additional assets), if and when such opportunities arise, from its unrestricted cash of \$4.1 million as at March 31, 2016 and net proceeds from the completion of the Karchiga Transaction and the Kogodai Transaction and potential proceeds, if any, for the sale of the Akdjol-Tokhtazan Project.

During the three months ended March 31, 2016 the net cash used by the Company's operating expenditures was \$0.6 million, compared to \$0.9 million for the three months ended March 31, 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 ⁽¹⁾ | 2,000 |

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.

The Company holds the majority of its surplus cash in interest-bearing bank deposit accounts in U.S. dollars, CAD\$, and GBP£ and manages such deposits in light of its forecast cash needs and available market interest rates. The majority of 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.

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 Company relocated to temporary offices under a short term monthly rent agreement 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

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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.

A summary of the changes in the Company's share purchase warrants during the three months ended March 31, 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 | - | (3) | | - | (41) | |
| Balance – End of the period | <u>12,500</u> | <u>2</u> | 0.50 | <u>12,500</u> | <u>5</u> | 0.50 |

A summary of the Warrants outstanding as at March 31, 2016 is set out below:

| Exercise Price CAD\$ | Expiry date | Number 000's | Value \$000 |
|----------------------|---------------|-----------------|----------------|
| 0.50 | July 25, 2016 | 12,500 | 2 |

The Company measured the fair value of the Warrants issued to Gold Fields based on the Black-Scholes option-pricing model using the following assumptions as at March 31, 2016 and as at December 31, 2015:

| | March 31, 2016 | December 31, 2015 |
|---|----------------|-------------------|
| Stock price | CAD\$0.015 | CAD\$0.02 |
| Exchange rate CAD\$/ US\$ | 1.293 | 1.3890 |
| Risk free interest rate | 0.5107% | 0.474% |
| Expected warrant life | 0.32 years | 0.57 years |
| Volatility (assuming a dividend yield of nil) | 190.67% | 190.67% |

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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.

| | Three months ended March 31, | |
|--|------------------------------|---------------|
| | 2016 \$000 | 2015 \$000 |
| <i>Directors</i> | | |
| Dr Sergey V Kurzin | 58 | 60 |
| Dr Alexander Yakubchuk | 56 | 58 |
| Mr Mark Corra | 6 | 7 |
| Mr Timothy Hanford (directorship ceased June 22, 2015) | - | 7 |
| Mr Massimo Carello | 6 | 7 |
| Mr David Rhodes | 6 | 7 |
| | <hr/> | <hr/> |
| | 132 | 146 |
| <i>Senior officers</i> | | |
| Mr Kevin Denham | 46 | 48 |
| Mr Christopher Power (resigned effective April 30, 2015) | - | 50 |
| | <hr/> | <hr/> |
| | 46 | 98 |
| <i>Other key management personnel</i> | 27 | 40 |
| | <hr/> | <hr/> |
| Total | 205 | 284 |

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 director, Dr Sergey Kurzin, in common as at December 31, 2015. Dr Kurzin is Executive Chairman of Orsu was Non-Executive Chairman of Equus and was considered to be a member of key management for both companies as defined under IFRS, IAS 24 "Related Party Disclosures". Dr Kurzin resigned as Non-Executive Chairman of Equus effective February 18, 2016.

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 March 31, 2016 the total receivable was \$378,749 (\$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 considered to be 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 which remained in place as at March 31, 2016. The Company is actively pursuing the debt and is considering its options on accelerating recovery. Equus acknowledge the debt, and it is not in dispute, and is in discussions with the Company to a repayment plan to settle the outstanding amount on a monthly basis by December 31, 2016.

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 with the exception of the following:

- The Company has classified the assets and liabilities, measured at fair value less costs to sell, on the balance sheet as at March 31, 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 three months ended March 31, 2016.

In the period to March 31, 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

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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 March 31, 2016.

RISKS AND UNCERTAINTIES

There have been no significant changes to the Company's risks and uncertainties during the three-month period ended March 31, 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 give careful consideration to 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 disposition of the Akdjol-Tokhtazan Project, 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; 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, 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 (including the Akdjol-Tokhtazan Project); 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 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 as a result 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 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 National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings). Based on that evaluation, the Chief Operating Officer

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(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 March 31, 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 or on the Company's website at www.orsumetals.com.

Disclosure of Outstanding Share Data

The following table sets forth information concerning the outstanding securities of the Company as at May 12 2016:

| Outstanding Securities | Number in issue | Number of new shares if exercised in full |
|-------------------------|-----------------|--|
| Common Shares | 182,696,049 | N/A |
| Options ⁽¹⁾ | 15,700,000 | 15,700,000 |
| Warrants ⁽²⁾ | 12,500,000 | 12,500,000 |

Notes:

- The Options were granted on September 2, 2015, up to 15,700,000 Common Shares are issuable on exercise of such Options, all of which expire on September 2, 2020.
- The Warrants were granted to Gold Fields on July 25, 2013, up to 12,500,000 Common Shares are issuable on exercise of such Warrants and will expire on July 25, 2016.

END