MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2016

(Expressed in thousands of US dollars)

Introduction

The following management discussion and analysis ("MD&A") of the results of operations and financial condition of Orsu Metals Corporation (the "Company" or "Orsu") for the year ended December 31, 2016 and up to the date of this MD&A, should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2016, together with the notes thereto (the "Financial Report").

All financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in United States dollars unless otherwise indicated.

The effective date of this MD&A is April 28, 2017.

Description of the Business

Orsu is a publicly-traded company incorporated in the British Virgin Islands.

The Company has been primarily engaged in the exploration and development of mineral properties in Kazakhstan. In April 2016, the Company entered into an agreement to sell its 94.75% interest in the Karchiga project located in Kazakhstan. However in April 2017, the sale of this project did not proceed (see below).

In September 2016, the Company entered into an exclusive and binding heads of agreement which was superseded by a share purchase agreement in January 2017 for the acquisition of the Sergeevskoe gold project located in eastern Russia. This transaction has not yet closed (See below).

The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol OSU. Prior to February 1, 2017, the Company's shares traded on the Toronto Stock Exchange ("TSX") and prior to May 11, 2016, the Company shares also traded on AIM, both under the same symbol. The Board of Directors of the Company felt that as the majority of the Company's peers trade on the TSX-V that the TSX-V would be a better fit for the Company at this stage of its development.

On April 6, 2017, the Company announced that it did not file its annual audited financial statements for the fiscal year ended December 31, 2016 and the related management's discussion and analysis and annual information form by the deadline of March 31, 2017. The Company de-listed from the TSX on January 31, 2017 and began trading on the TSX-V on February 1, 2017. Under provincial securities policies companies listed on the TSX-V have 120 days (May 1, 2017) to file their annual financial statement and related management discussion and analysis however companies listed on the TSX only have 90 days to file (March 31, 2017). The Company did not realize that because the Company was listed on the TSX at December 31, 2016 that it had to follow the timing of the TSX deadlines. The Company has now completed the related documents and will file them in the next few days. Thereafter, the Company will make application to the provincial securities commissions and the TSX-V to resume trading and will issue a news release when it expects trading to resume.

The corporate office of the Company is located at Unit 1 - 15782 Marine Drive, White Rock, B.C., Canada, V4B 1E6. Until December 31, 2016, the Company was domiciled in the United Kingdom and had its corporate office in London, United Kingdom.

Mineral and Exploration Properties

Karchiga Project (Kazakhstan)

The Company's principal and most advanced project is the property comprising a licence area in eastern Kazakhstan containing the copper bearing Karchiga volcanogenic massive sulphide deposit which is part of the Rudny Altai polymetallic belt (the "Karchiga Project"). The Company indirectly holds a 94.75% interest in the Karchiga Project via its 100% interest in Lero Gold Corp. ("Lero") which in turn owns 100% of Eildon Enterprises Limited ("Eildon"), the immediate parent of GRK MLD LLP ("MLD") and the holder of the exploration licence for the Karchiga exploration property.

The Karchiga Project is governed by an exploration and production contract until February 28, 2024 and the Company has obtained approval to commence mineral extraction within the Karchiga exploration licence area for copper as well as approval for the construction of a mining and processing complex within the Karchiga exploration licence area from the relevant Kazakh authority.

From 2012 to early 2016, the Company tried to secure the funding required for the construction of a mine and processing facilities. However, due to the continuing adverse economic environment during this period, the Company was unable to secure the necessary funding required and the Company looked for alternative solutions.

On April 11, 2016, the Company entered into an agreement (as amended) to sell its 94.75% interest in MLD to Karasat Trading FZE ("Karasat"), a company registered in the United Arab Emirates, for $7.75 million ($100,000 non-refundable deposit received in May 2016). The Company obtained shareholder approval for the sale at its annual and special shareholder meeting held on June 23, 2016. On January 25, 2017, the Company conditionally transferred its participation interest in MLD to Karasat and the remainder of the purchase price was to be paid after the registration of the transfer with the Kazakhstan authorities, not later than February 15, 2017. On February 17, 2017, Karasat informed the Company that it was unable to obtain the necessary financing to pay the purchase price and therefore the shares of MLD are in the process of being re-registered to Eildon.

<u>Karchiga Definitive Feasibility Study</u>
In March 2012, the Company filed the Karchiga Definitive Feasibility Study with an effective date of March 27, 2012. A copy of which is available on SEDAR at www.sedar.com. Using only the indicated mineral resource estimates forming part of the December 2011 Pit-Constrained Mineral Resource Estimates, the Karchiga Definitive Feasibility Study Report reported a probable mineral reserve estimate of 8.5 million tonnes of sulphide ore in the central and north east pits containing 145,227t (320 Mlb) of copper at an average grade of 1.71% Cu to be amenable to flotation and additional 1.5 million tonnes of ore in the central pit containing 21,399t (47.2 Mlb) of copper at an average grade of 1.43% Cu to be amenable to heap leaching (see Orsu News Release February 29, 2012).

Sergeevskoe Project (Russia)

In September 2016, the Company entered into an exclusive and binding heads of agreement which was superseded by a share purchase agreement ("SPA") in January 2017 for the acquisition of the Sergeevskoe gold project located in eastern Russia. The Sergeevskoe project licence is owned by Sibzoloto Investments Limited ("Sibzoloto"), a Cyprus registered company, which in turn is the sole owner of both LLC GK Alexandrovskoe ("Alexandrovskoe"), holder of the Sergeevskoe licence, and LLC Investco Realty ("Investco"), the owner of a work camp and infrastructure to support the nearby Sergeevskoe project. The shares of Sibzoloto are owned by four arm's length parties ("the Sellers").

On closing, Orsu was to purchase 300 (30%) of the €1 par value shares of Sibzoloto from the Sellers by the issue of 146,605,683 common shares in Orsu and payment of $180,000 cash providing that Orsu had $3 million in cash equivalents at closing. And if the sale of Karchiga completed by June 30, 2017, Orsu was to purchase the remaining 700 (70%) of the shares of Sibzoloto for consideration of €700 and $420,000 cash.

However, the sale of the Karchiga Project did not close as had been expected and the Company did not meet one of the closing conditions of the SPA being the requirement to have $3 million cash equivalents, as defined in the SPA, at closing.

Accordingly, the Company and the Sellers executed an amendment to the SPA to modify the terms to compensate for not meeting this closing condition so that:

1) The payment of the $180,000 at closing be deferred until the earlier of Orsu being funded by equity or the Karchiga sale closing by September 30, 2017 and that the interest rate for this deferred payment be 8% per annum from closing date;

2) The number of shares to be issued for the first 30% will be adjusted to 165,591,520 new common shares of Orsu from 146,605,683 new common shares in Orsu; and

3) If the sale of Karchiga is closed before September 30, 2017 the Sellers will assign the 70% balance of the shares of Sibzoloto to Orsu for the nominal par value consideration. In the event the sale of Karchiga does not close before September 30, 2017, Orsu will then own a 30% participating interest in the shares of Sibzoloto and the Sellers will own a 30% participating interest in the shares of Sibzoloto. Orsu and the Sellers will negotiate the terms of a shareholder's agreement at that time to govern the operations of Sibzoloto and to provide for an option for Orsu to acquire, and the Sellers to sell, the remaining 70% of the shares of Sibzoloto on terms to be negotiated at that time. The prior approval of the TSX-V will be obtained in the event the parties determine that the consideration for the second sale shares will be paid and settled in shares of the Issuer.

The pending acquisition of the Sergeevskoe project remains subject to TSX-V approval.

In anticipation of closing, the Company advanced Sibzoloto $130,000 in October 2016 towards exploration work to advance the Sergeevskoe Project. The Company recorded this advance as an advance for exploration on the statement loss and comprehensive loss for the year ended December 31, 2016. Subsequent to December 31, 2016, the Company advanced Sibzoloto a further $332,871 towards exploration work to advance the Sergeevskoe Project.

On March 15, 2017, the Company filed a technical report regarding the Sergeevskoe gold project, Russia (the "Sergeevskoe Report") to support the above acquisition. The Sergeevskoe Report was authored by Phil Newall of Wardell Armstrong International Ltd. ("WAI") an independent Qualified Person as defined by NI 43-101. The Sergeevskoe Report titled "NI 43-101 Technical Report for the Sergeevskoe Property, Zabaikalskiy Krai, Russian Federation" is dated March 10, 2017 with an effective date of November 18, 2016, is filed on the Company's profile on www.sedar.com.

The highlights of the Sergeevskoe Report include:

- The major ore-controlling faults at Kluchevskoye pass westwards into the Sergeevskoe licence and it is quite clear that the mineralising structures that were mined at Kluchevskoye are continuous to a greater or lesser extent into the Sergeevskoe area.

- In total, and to varying degrees of study, more than 10 gold occurrences and numerous mineralized points for gold, molybdenum and copper have been identified at the Sergeevskoe property. Numerous geochemical anomalies of Au, Cu and Mo were also delineated in the area.

- Orsu has possession of a highly attractive exploration licence containing many of the structural, mineralogical and lithological controls as are seen at Kluchevskoye, but with the added advantage of a number of drill-ready targets. It is likely that some of these will be mineralised extensions from ore zones mined at the western end of the Kluchevskoye pit whilst others might represent faulted continuations of the same Kluchevskoye system. Either way, the magnitude of the Kluchevskoye body should not be underestimated and as such, Sergeevskoe presents an excellent opportunity to develop near surface oxide mineralization with the possibility of deeper primary mineralisation development.

- Furthermore, WAI believes that the budgeted work programmes put forward by Orsu are both practical and prudent and will greatly enhance the understanding of this exciting area.

Kogodai Project (Kazakhstan)

The Company held an exploration licence for a prospect 70 km northwest of the Karchiga Project (the "Kogodai Project"). The Company held an effective 51% interest in the Kogodai Project through its 63.75% owned subsidiary, Harssin Management B.V. ("Harssin"), which in turn holds a 100% interest in Orsu Metals Kazakhstan, which has a majority 80% interest in Kogodai JV LLP. In March 2017, the Company completed the sale of its effective 51% interest in the Kogodai Project for $10,000 through the sale of the Company's 63.75% interest in Harssin.

Akdjol-Tokhtazan Project (Kyrgyzstan)

The Company's exploration interest in Kyrgyzstan consisted of the Akdjol and Tokhtazan exploration licences (the "Akdjol-Tokhtazan Project") located in the Jelal-Abad Oblast, western Kyrgyzstan.

On July 14, 2016, the Company's wholly owned subsidiary, Lero entered into a sale and purchase agreement (the "Kyrgyz SPA"), with three arm's length individuals (the "Purchasers"), to sell its 100% interest in Tournon Finance Limited ("Tournon"), which owns 100% of Oriel in Kyrgyzstan LLC ("Oriel"), which in turn holds the Company's interest in its Akdjol-Tokhtazan Project in the Kyrgyz Republic.

In accordance with the terms of the Kyrgyz SPA, the Purchasers agreed to pay a nominal sum of one dollar and assume the existing liabilities of Oriel.

In addition, an existing interest free intercompany loan of $4.19 million with Oriel (the "Oriel Loan") will remain in place and the Purchasers may, within two years of the effective date of the Kyrgyz SPA elect to:

- purchase the Oriel Loan for the sum of $2 million; or
- cancel the Oriel Loan upon the payment by the Purchasers of the sum of $2 million; or
- if the Purchasers do not elect either of such options, the Oriel Loan will become repayable within three years from the commencement of production at an interest rate of LIBOR plus 5%.

In addition, deferred consideration of $2 million is payable by the Purchasers 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 "Deferred Consideration").

The Company assessed that there was no recognised market for the Oriel Loan and the 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. Thus, the Company has not recognised the Oriel Loan or the Deferred Consideration as at December 31, 2016.

Lero had the right to assign its rights and obligations to the Oriel Loan and the Deferred Consideration to a third party and accordingly assigned its rights and obligations to Orsu on December 19, 2016.

(All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

Qualified Person

The Company's Chief Operating Officer, Alexander Yakubchuk, a Qualified Person as defined in NI 43-101, has reviewed and approved the exploration information and resource disclosures contained in this MD&A.

Selected Annual Information

	2016 (Audited)	**2015 (Audited)**	**2014 (Audited)**
Loss from continuing operations	(2,309)	(4,484)	(5,229)
Income (loss) from discontinued operation	465	(4,476)	(92)
Comprehensive loss for the year	**(1,844)**	**(8,960)**	**(5,321)**
<u>Net loss attributable to:</u>			
Orsu shareholders	(1,748)	(8,802)	(5,153)
Non-controlling interest	(96)	(158)	(168)
	(1,844)	**(8,960)**	**(5,321)**
Basic and diluted loss per common share from continuing operations	$(0.01)	$(0.02)	$(0.03)
Basic and diluted income (loss) per common share from discontinued operation	$0.00	$(0.02)	$(0.00)
Weighted average number of common shares outstanding	182,696,049	182,696,049	182,696,049
Total assets	10,644	13,310	22,602
Total non-current liabilities	-	-	509
Shareholders' equity	10,379	12,223	21,083

Results of Operations – year ended December 31, 2016

Continuing operations

The consolidated loss from continuing operations for the year ended December 30, 2016 was $2,309,000 (2015 - $4,484,000).

The significant changes between the current year and the comparative year are discussed below.

Administration totalled $310,000 (2015 - $1,207,000) for the year ended December 31, 2016. The significant decrease in administration was primarily due to reductions in head office costs following the expiry of the property lease at the Company's former head office in London in February 2016. In addition, the Company gave up its London head office in December 2016 and moved it to Canada so the general trend towards continued administrative reductions in quarter on quarter administration expenditures should continue.

(All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

Professional fees totalled $307,000 (2015 - $495,000) for the year ended December 31, 2016. This primarily relates to legal and technical expenses related to the failed sale of the Company's Karchiga Project as well as accounting, audit and tax fees incurred during the year.

Salaries and benefits totalled $1,170,000 (2015 - $1,239,000) for the year ended December 31, 2016. Salaries were comparable to the prior year. In December 2016, the Company made certain management changes and renegotiated certain contracts with the officers of the Company in order to reduce costs for the coming years.

Transfer agent and regulatory fees for the year ended December 31, 2016 totalled $91,000 (2015 - $45,000). The increase in fees was primarily due to the Company's move from the TSX to the TSX-V and ceasing to being admitted to trading on AIM.

Loss from assets held for sale totalled $586,000 (2015 - $1,268,000) and included a non-cash impairment of the Karchiga project of $258,000 (2015 - $752,000).

In May 2016, the Company received a $100,000 non-refundable deposit related to the sale of its 94.75% interest in the Karchiga Project.

In addition to the above, the Company recorded the following non-cash items during the year ended December 31, 2016:

- Share-based compensation of $Nil compared to $100,000 in the comparative year relating to stock options granted to directors, officers, employees, and consultants of the Company
- Onerous provision release of $171,000 (2015 – $338,000)
- Gain on share warrant liability of $5,000 (2015 - $41,000)

Discontinued operation

The consolidated net income (loss) from discontinued operation for the year ended December 30, 2016 was $465,000 (2015 – loss of $4,476,000).

The net gain on disposal for the year ended December 31, 2016 is as set below:

	$
Transaction costs	6
Trade and other payables	(475)
Gain on disposal of discontinued operation	(469)

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

	December 31, 2016 $	**December 31, 2015 $**
Administration expenses	4	271
Foreign exchange	-	(11)
Exploration and evaluation expenditures	-	224
Deferred income recognized	-	(400)
Loss from discontinued operation	4	84

(All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

In 2011, the Company determined the Akdjol-Tokhtazan Project to be a non core asset which was made available for sale and determined to have met the criteria to be classified as “held for sale” and thereafter actively sought to sell the Akdjol-Tokhtazan Project to interested parties. In 2015, the Company concluded that it was no longer appropriate to consider a potential sale as highly probable and as a result decided to suspend operations at the Akdjol-Tokhtazan Project. In addition, the Company considered the reliability of estimates of fair value of the Akdjol-Tokhtazan Project and concluded that in the absence of any current offers an impairment charge against the carrying net asset value of the Akdjol-Tokhtazan Project of $4.4 million should be recorded as at December 31, 2015.

Summary of Quarterly Results

	December 31 2016 (Unaudited)	September 30 2016 (Unaudited)	June 30 2016 (Unaudited)	March 31 2016 (Unaudited)
Loss from continuing operations	(537)	(1,031)	(334)	(407)
Income (loss) from discontinued operation	(16)	544	(33)	(30)
Comprehensive loss for the period	**(553)**	**(487)**	**(367)**	**(437)**
Net loss attributable to Orsu shareholders				
Loss from continuing operations	(504)	(1,011)	(310)	(388)
Income (loss) from discontinued operation	(16)	544	(33)	(30)
	(520)	(467)	(343)	(418)
Net loss attributable to non-controlling interest:				
Loss from continuing operations	(33)	(20)	(24)	(19)
Income (loss) from discontinued operation	-	-	-	-
	(33)	(20)	(24)	(19)
Basic and diluted loss per common share from continuing operations	$(0.01)	$(0.00)	$(0.00)	$(0.00)
Basic and diluted income (loss) per common share from discontinued operation	$(0.00)	$0.00	$(0.00)	$(0.00)
Weighted average number of common shares outstanding	182,696,049	182,696,049	182,696,049	182,696,049

(All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

	December 31 2015 (Unaudited)	September 30 2015 (Unaudited)	June 30 2015 (Unaudited)	March 31 2015 (Unaudited)
Loss from continuing operations	(2,006)	(1,167)	(547)	(764)
Loss from discontinued operation	(4,328)	(72)	(18)	(58)
Comprehensive loss for the period	**(6,334)**	**(1,239)**	**(565)**	**(822)**
Net loss attributable to Orsu shareholders				
Loss from continuing operations	(1,979)	(1,115)	(506)	(726)
Loss from discontinued operation	(4,328)	(72)	(18)	(58)
	(6,307)	(1,187)	(524)	(784)
Net loss attributable to non-controlling interest:				
Loss from continuing operations	(27)	(52)	(41)	(38)
Loss from discontinued operation	-	-	-	-
	(27)	(52)	(41)	(38)
Basic and diluted loss per common share from continuing operations	$(0.01)	$(0.01)	$(0.00)	$(0.00)
Basic and diluted loss per common share from discontinued operation	$(0.03)	$(0.01)	$(0.00)	$(0.00)
Weighted average number of common shares outstanding	182,696,049	182,696,049	182,696,049	182,696,049

Fourth Quarter

The Company began the fourth quarter with $3,125,000 cash. During the fourth quarter, the Company expended $723,000 on operating activities, net of working capital changes and spent $107,000 on investing activities to end the quarter and the year with $2,350,000 cash, net of $13,000 cash that was held for sale.

During the quarter ended December 31, 2016, the Company advanced Sibzoloto $130,000 towards the advancement of the Sergeevskoe Project in Russia as described above.

Liquidity and Capital Resources

Orsu began the fiscal year with $4,697,000 cash. During the year ended December 31, 2016, the Company spent $2,168,000 on operating activities net of working capital changes and spent $162,000 on investing activities to end at December 31, 2016 with $2,350,000 cash, net of $13,000 cash that was held for sale.

As at December 31, 2016, the Company had working capital of $2,195,432. Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned exploration and operations through to December 31, 2017. Beyond December 31, 2017, the Company will need to seek additional sources of financing to carry on future operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

(All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

Related Party Transactions

Key management includes members of the Board of Directors, the Chief Financial Officer and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel, during the years ended December 31, 2016 and 2015 were as follows:

		Year ended December 31,	
		2016	2015
		$	$
Salaries and benefits			
Sergey Kurzin	Director	211	271
Alexander Yakubchuk	Director	194	254
Mark Corra	Director	24	37
David Rhodes	Director	24	37
Massimo Carello	Director	30	37
Timothy Hanford	Director	-	14
Doris Meyer & Dan O'Brien	Officers	30	-
Kevin Denham	Officer	198	207
Christopher Power	Officer	-	67
Share-based compensation	Directors & Officers	-	83
		711	1,007

On September 2, 2015, the Company granted 15,700,000 stock options, of which 13,000,000 were to directors and officers of the Company at an exercise price of CAD$0.02 per option. The options vested immediately upon grant.

Equus Petroleum plc

The Company entered into a sublease agreement, dated June 1, 2012, with Equus Petroleum plc ("Equus"), who were a related party until February 2016, to partially sub-let office space from the Company for a period up to February 2016. However, effective January 31, 2015 Equus vacated the premises and the Company was unable to secure alternative arrangements to cover the cost of the office premises. As at December 31, 2015, all amounts owing from Equus were written down to $Nil as the Company's accounting policy is to make a full provision for receivables outstanding for greater than 12 months.

However by letter agreement dated December 8, 2016, the Company and Equus agreed that the amount owing to the Company by Equus as at July 28, 2016 was principal of £222,838 and accrued interest of £7,707 totalling £230,545. Interest accrues on the principal at the rate of 4.5% per annum. Further, it was acknowledged that Equus had paid the Company £60,000 from September to December 2016 towards principal and interest and effective January 7, 2017 the monthly payments were to have increased from £15,000 to £30,000. However, Equus requested and the Company agreed to payments of £20,000 per month and in consideration for these reduced payments an interest rate of 5.0% per annum.

As at December 31, 2016, the amount due from Equus totalled $214,716 (£174,543) being $213,846 (£173,836) principal and $870 (£707) interest. The Company has not recorded this as a receivable as at December 31, 2016 as the Company's accounting policy is to record payments as credits to administration when received. During the year ended December 31, 2016, the Company recorded interest income of $14,912 (£11,705).

Subsequent to December 31, 2016, Equus paid the Company a further £80,000 as contemplated above.

(All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

Outstanding Share Data as at the date of this MD&A

Authorized: an unlimited number of common shares without par value

	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Common Share Purchase Options
Balance December 31, 2016	182,696,049	-	15,700,000
Options exercised	7,400,000	-	(7,400,000)
Options cancelled	-	-	(1,500,000)
Balance as at the date of this MD&A	190,096,049	-	6,800,000

Use of accounting estimates, judgments and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

<u>Carrying value and recoverability of property, plant and equipment</u>

In relation to the property, plant and equipment the Company followed guidance under IAS 36, “Impairment of assets”, and applied significant judgment to determine whether impairment was required as at December 31, 2016. In concluding its judgment, the Company evaluated the market capitalisation of the Company as at December 31, 2016, current, and expectations of future, copper prices, estimates of the net present value of the project, the potential access to both debt and equity financing to fund the future development of the project, potential realisable value of the Karchiga Project and the Company’s ability to continue to fund the project until such financing for developing the project is achieved.

<u>Recovery of deferred tax assets</u>

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of the parent company as well as the functional currency of the Company's subsidiaries is the US dollar.

Classification of assets held for sale

The Company classified the assets and liabilities of both the Karchiga Project and the Kogodai Project as "Assets held for sale" and "Liabilities held for sale" on the statement of financial position as at December 31, 2016 and reported the related losses as "Loss from assets held for sale" in the consolidated statement of loss and comprehensive loss for the years ended December 31, 2016 and 2015.

Discontinued operation

In relation to the discontinued operation, the Company followed guidance under IFRS 5, "Non-current assets held for sale and discontinued operations" and IAS 36, "Impairment of assets", and applied significant judgment to conclude that: the Akdjol-Tokhtazan project be treated as a discontinued operation as at December 31, 2015; an impairment against the carrying value of assets was recorded; and following the expiry of the exclusivity agreement with the Potential Buyers all unsettled liabilities were provided for as at December 31, 2015. In concluding its judgment, the Company evaluated the duration of time for which the disposal group had been classified as an asset held for sale, the good standing of the exploration licences held by the Akdjol-Tokhtazan Project, the continued commitment of the Company to actively sell the asset and whether a sale was highly probable based on the continued interest from interested parties to acquire the Akdjol-Tokhtazan Project. During the year ended December 31, 2016, the Company sold the Akdjol-Tokhtazan project.

Long-term receivable

Long-term receivable includes historical value added tax ("VAT") expenditures incurred on the Karchiga Project which, under current Kazakh tax law, will be recoverable against future VAT liabilities arising in the event of the Karchiga Project being constructed and moving into production. In determining the carrying value of the VAT recoverable amounts as at December 31, 2016 and 2015, the Company assessed the future recoverability of the VAT amounts. This included considering the potential prospect of the Kazakh Government replacing VAT with sales tax, the ability of the Company to secure the financing required for the Karchiga Project, the future impact of any alternative options for the Karchiga Project and the timing of future recoveries of VAT amounts. During the year ended December 31, 2016, the Company wrote-off all VAT recoverable amounts due to the uncertainty of collection.

New Accounting Standards

Refer to the discussion of "New standards, interpretations and amendments not yet effective" in Note 3 to the Financial Report. The Company has not applied any of the new and revised IFRS detailed therein, all of which have been issued but are not yet effective at the date of this MD&A.

(All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

Financial Instruments and Risk Management

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	**December 31, 2016 $**	**December 31, 2015 $**
Cash	FVTPL	**2,350**	**4,697**
Receivables	Loans and receivables	**47**	**79**
Trade and other payables	Other liabilities	**229**	**436**

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for receivables and trade and other payables approximate their fair value due to their short-term nature. The fair value of cash was determined based on Level 1 of the fair value hierarchy.

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits the exposure to credit risk in its cash by only investing its cash with high credit quality financial institutions in business and savings accounts and guaranteed investment certificates which are available on demand by the Company for its programs. The Company's receivables primarily include balances receivable from government agencies. The Company is exposed to some risk on amounts due from these government agencies however to date the Company has been successful on collecting on its receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. The Company's cash is primarily on deposit in Canadian business accounts or guaranteed investment certificates which are available on demand.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risk on cash is not considered significant.

Foreign Currency Risk

The Company's functional and presentation currency is the US dollar. Foreign currency risk arises from transactions denominated in currencies denominated in currencies other than US dollars. As some costs are denominated in Canadian dollars, UK Sterling, Kazakh Tenge and Kyrgyz Som. As at December 31, 2016, the Company holds only 6% of its cash in foreign currencies. Management believes the foreign exchange risk related to currency conversions are minimal and therefore, does not hedge its foreign exchange risk. The effect of a 10% change in the foreign exchange rate on cash held in foreign currencies at December 31, 2016 would be nominal.

Cautionary Note Regarding Forward-looking Statements

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: development and operational plans and objectives, including the Company's expectations relating to the continued and future maintenance, exploration, development and financing, as applicable, of the Karchiga Project and the timing related thereto and its acquisition and development of new mineral exploration licences, properties and projects; the Company's ability to satisfy certain future expenditure obligations; mineral resource and mineral reserve estimates; estimated project economics, cash flow, costs, expenditures, revenue, capital payback, performance and economic indicators and sources of funding; 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 exploration projects; the estimated mine life, NPV and IRR for, and forecasts relating to tonnages and amounts to be mined from, and processing and expected recoveries and grades at, the Karchiga Project as well as the other forecasts, estimates and expectations relating to the Karchiga Definitive Feasibility Study Report; the mine design and plan for the Karchiga Project, including mining at, and production from the Karchiga Project and the reasonableness of the assumptions and methodologies used in formulating the mine and processing plans; the future political and legal regimes and regulatory environments relating to the mining industry in Kazakhstan; the Company's expectations and beliefs with respect to the waiver of the State's pre-emptive right with respect to the Karchiga Project and the past placements of the Common Shares being covered thereby; the expectations relating to continued compliance with environmental regulations; the significance of any individual claims by non-Ontario residents in relation to the Claim; 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 MDA& 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 to meet its future expected obligations and planned activities (including, with respect to financing for the Karchiga Project, the ability of the Company to obtain such financing on terms acceptable to the Company or otherwise), the Company's business (including the continued exploration and development of, as applicable, the Karchiga Project and the timing and methods to be employed with respect to same), the estimation of mineral resources and mineral reserves, the parameters and assumptions employed in the Karchiga Definitive Feasibility Study Report, the economy and the mineral exploration and extraction industry in general, the political environments and the regulatory frameworks in Kazakhstan 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, licences, 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, the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner, assumptions relating to the Company's critical accounting policies, and has also assumed that no unusual geological or technical problems occur, and that equipment works as anticipated, 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: risks normally incidental to exploration and development of mineral properties and operating hazards; uncertainties in the interpretation of results from drilling and metallurgical test work; the possibility that future exploration, development or mining results will not be consistent with expectations; uncertainty of mineral resource and mineral reserve estimates; technical and design factors; uncertainty of capital and operating costs, production and economic returns; uncertainties relating to the estimates and assumptions used, and risks in the methodologies employed, in the Karchiga Definitive Feasibility Study Report; adverse changes in commodity prices; the inability of the Company to obtain required financing for the construction of mining and processing facilities at the Karchiga Project; the Company's inability to obtain an alternative financing solution in relation to the Karchiga Project; 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 Company's inability to obtain, maintain, renew and/or extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities, including (without limitation) the Company's inability to obtain (or a delay in obtaining) the necessary construction and development permits for the Karchiga Project and other risks relating to the regulatory frameworks in Kazakhstan; adverse changes in the political environments in Kazakhstan 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 Factors" in the Company's AIF.

Any mineral resource and mineral reserve figures referred to in this MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the mineral resource and mineral reserve estimates in respect of its properties are well established, by their nature mineral resource and mineral reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such mineral resource and mineral reserve estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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 (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 December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Other Information

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.orsumetals.com.