



**MANAGEMENT DISCUSSION AND ANALYSIS  
QUARTERLY HIGHLIGHTS**

**For the nine months ended September 30, 2017**

(Expressed in US dollars)

# **ORSU METALS CORPORATION**

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### **Introduction**

The following management discussion and analysis – quarterly highlights (“MD&A”) of the results of operations and financial condition of Orsu Metals Corporation (the “Company” or “Orsu”) for the nine months ended September 30, 2017 and up to the date of this MD&A, has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management discussion and analysis for the fiscal year ended December 31, 2016 (the “Annual MD&A”).

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the year ended December 31, 2016, together with the notes thereto, and the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the nine months ended September 30, 2017 (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 November 22, 2017.

### **Description of the Business**

Orsu is a publicly-traded company incorporated in the British Virgin Islands. The Company’s shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol OSU. The corporate office of the Company is located at Unit 1 - 15782 Marine Drive, White Rock, B.C., Canada, V4B 1E6.

The Company is engaged in the exploration and, if warranted, development of a mineral resource project in eastern Russia. The Company is considered to be in the exploration stage as it has not placed any of its exploration and evaluation assets into production nor has it generated any revenues from operations.

### **Operational Highlights**

In May 2017, the Company completed the acquisition of an initial 30% interest in the Sergeevskoe gold project located in eastern Russia. In November 2017, the Company agreed to acquire a further 60% interest for a total of 90%. The 60% acquisition is subject to TSX-V approval and completion of a definitive agreement.

Concurrent with closing of the initial 30% interest, Sergei Stefanovich was appointed a director and to the newly created office of Managing Director and Vladimir Pakhomov was appointed as a non-executive director of the Company. Dr Sergey V. Kurzin continues in his role as a director and Executive Chairman and Mark Corra and David Rhodes as non-executive directors. Alexander Yakubchuk stepped down as a director and was appointed Director of Exploration.

Effective September 15, 2017, the Company consolidated its shares on a 10 old for 1 new basis. All share and per share amounts in this MD&A have been retroactively restated to reflect the consolidation.

In October 2017, the Company sold its 94.75% interest in the Karchiga project located in Kazakhstan for net proceeds of \$5,908,000.

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## Mineral and Exploration Properties

### *Sergeevskoe Project (Russia)*

The license of the Sergeevskoe Gold Project occurs immediately east from the Alexandrovskaya gold plant owned by Zapadnaya Gold Mining Ltd and to the west from the Klyuchevskoe gold license owned by Sun Gold Mining (Figure 1). Klyuchevskoe (Klyuchi) gold deposit represents a +6 Moz gold endowment (see Orsu press-release dated September 21, 2016).

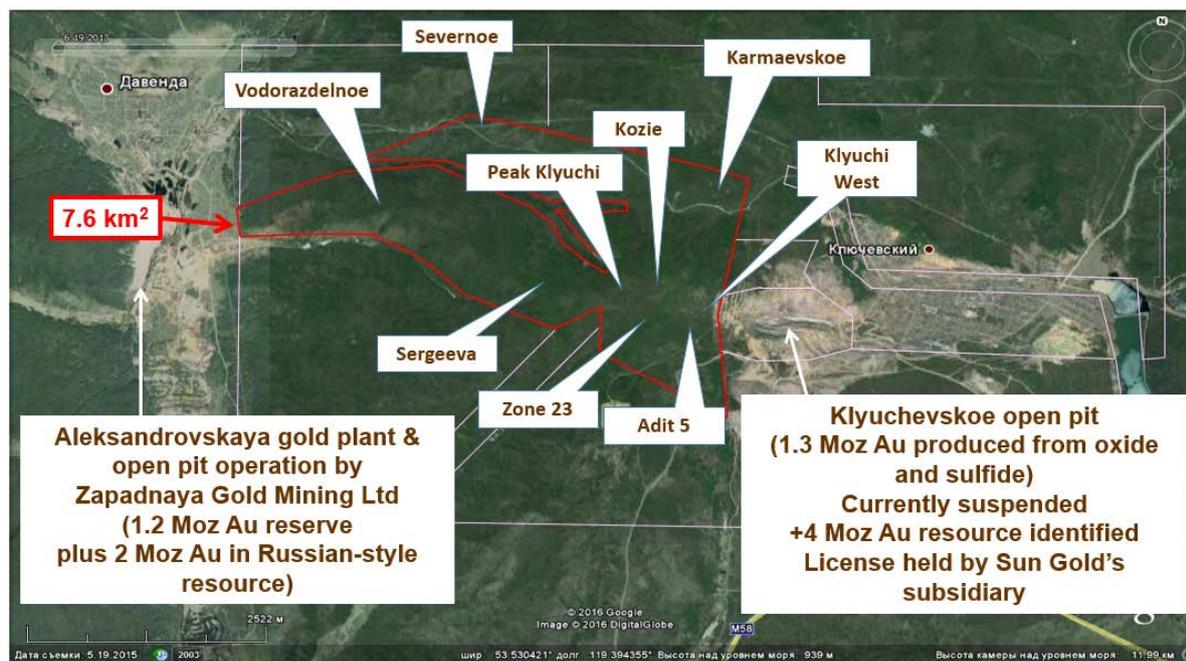


Figure 1. An outline of the 7.6 sq km Sergeevskoe license area with location of principal gold prospects and adjacent licenses.

### Phase 1 (see June 5, 2017 news release)

Orsu has been conducting exploration at the Sergeevskoe Gold Project since November 2016, prior to acquiring its interest in May 2017. In addition to an environmental baseline study and a ground magnetic survey, the Phase 1 works included a 1314 m trenching program in 9 trenches (Figure 2). Three targets were selected for initial trench testing on the basis of historical results:

1. Klyuchi West
2. Zone 23 and Adit 5 (formerly eastern part of Zone 23)
3. Kozie.

The Phase 1 program consisted of two short trenches (17-1042 and 17-1025) at Klyuchi West near the eastern boundary of the Sergeevskoe license, two long trenches and one short trench across Kozie (17-752, 17-679, 17-576), and four long trenches across Zone 23 (17-684, 17-941, 17-679 and 17-996).

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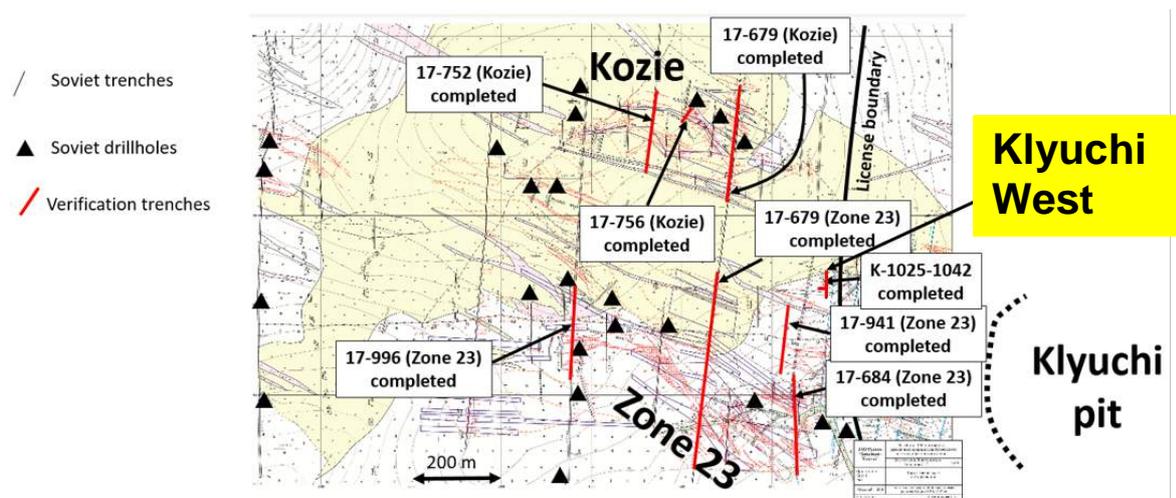


Figure 2. Historical map and position of trenches completed at the Sergeevskoe Gold Project by May 2017. Yellow colour in the middle of the map depicts a porphyritic to brecciated granodiorite intrusion emplaced into pre-existing granite shown in white. Pale-red colours correspond to quartz-tourmaline stockwork according to historical data.

The mineralization consists of quartz-tourmaline-sulfide veinlets, forming stockwork zones emplaced into porphyritic to brecciated granodiorite intrusion at Kozie, along the contact between the granodiorite porphyry stock and pre-existing host granite at Klyuchi West, and mainly into the hosting granite at Zone 23 (Figure 2). The stockwork zones are variable in strike, with trenches intercepting it in perpendicular to oblique directions. The style of mineralization can be best classified as intrusion-related gold. Kozie, Klyuchi West and Zone 23 are multiple gold-mineralized centres within the Sergeevskoe license area, with adjacent Klyuchevskoe (Klyuchi) gold deposit representing the currently largest +6 Moz gold endowment in the area.

The widely-spaced nature of the initial trenching at the Sergeevskoe Gold Project does not yet allow definite correlation of the mineralized intercepts between the trenches. However, the new results validated both the historical results and, most importantly, provide modern insights. Our new intercepts in trenches indicate presence of well-mineralized high-grade gold pods.

Phase 2 (See November 9, 2017 news release for Klyuchi West and Kozie results and November 13, 2017 news release for Zone 23 and Adit 5 results)

Orsu has been conducting Phase 2 exploration program at the Sergeevskoe Gold Project since June 2017. Phase 2 is designed to test our concepts, to understand the deposit structurally and to expand the mineralized foot-print through additional trenching and drilling to test the depth extension of the best targets identified to date.

The Phase 2 works at the Klyuchi West and Kozie Prospects included a 1159.5 m trenching and 1053 m drilling program (Figure 3). The program consisted of six bulldozer trenches at Klyuchi West near the eastern boundary of the Sergeevskoe license and nine bulldozer trenches across Kozie inside the Sergeevskoe license. These prospects were selected for Phase 2 trench testing on the basis of Phase 1 trenching results by Orsu. Prior to trenching and drilling, Orsu completed a pole-dipole induced polarization survey (“PD-IP”) down to a depth of 500 m and gradient array chargeability and resistivity surveys over the entire Sergeevskoe license area, conducted by OOO Tien Shan Limited, a Kyrgyzstan-based contractor, which is independent from Orsu.

The results of this program extended the mineralization identified in 2017 winter trenches at Kozie for 800 m along the strike and for 200 m downdip. At Klyuchi West, our results revealed a stockwork, consisting of multiple subvertical mineral zones, some with high grade gold, extending to a depth of



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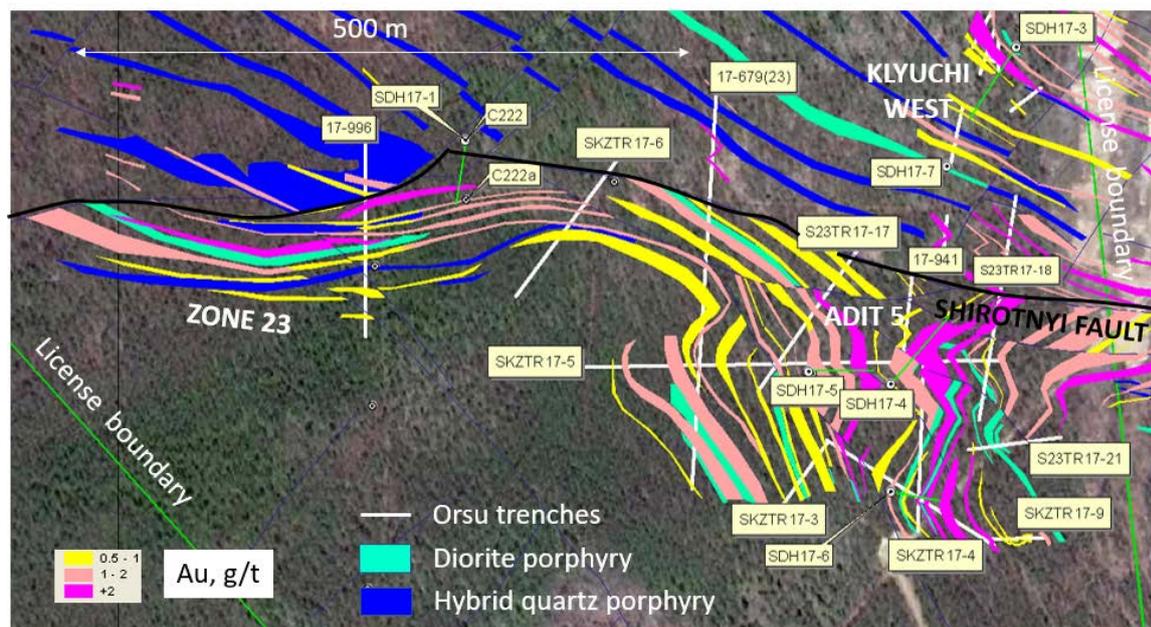


Figure 4. Gold mineralization at Zone 23 and Adit 5, Sergeevskoe Gold Project constrained by new trench data.

## Continuing Exploration

Orsu continues its exploration works at Sergeevskoe property during Q4 2017 with an additional 1750 m of drilling

## The Acquisition:

The Sergeevskoe project is owned by Sibzoloto Investments Limited (“Sibzoloto”), a Cyprus registered company, which in turn is the sole owner of both LLC GK Alexandrovskoe, holder of the Sergeevskoe licence, and LLC Invest Realty, the owner of a work camp and infrastructure to support the nearby Sergeevskoe project. The shares of Sibzoloto were owned by four arm’s length parties (the “Sellers”).

In September 2016, the Company entered into an exclusive and binding head of agreement, which was superseded by a share purchase agreement (“SPA”) in January 2017, as amended, for the acquisition of the shares of Sibzoloto.

On May 18, 2017, the Company completed the acquisition of an initial 30% interest in Sibzoloto through the issue to the Sellers of 16,559,152 common shares of the Company at a value of \$3,042,000 and the issue to the Sellers of a promissory note for \$100,000 bearing interest at a rate of 8% per annum. The \$100,000 promissory note owed to the Sellers and an \$80,000 promissory note owed to a related company that was assumed on acquisition of Sibzoloto were both paid in October 2017 as triggered by the sale of the Karchiga Project.

Orsu has agreed to fund a \$1,500,000 exploration program on the Sergeevskoe Project before May 18, 2018. To September 30, 2017, the Company has funded \$951,000 which includes \$463,000 funded prior to May 18, 2017.

Pursuant to the SPA, Orsu and the Sellers had agreed that if the sale of Karchiga completed prior to September 30, 2017 for proceeds of not less than \$7,750,000, then the Sellers would have sold and Orsu would have purchased the remaining 70% of the shares of Sibzoloto for consideration of €700 and \$420,000 cash. In the event the sale of Karchiga did not close before September 30, 2017 for the expected amount then Orsu and the Sellers agreed to negotiate the terms of an amendment at that time.

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Given the sale of Karchiga completed in October 2017 for proceeds of \$5,908,000, Orsu and the Sellers agreed to amended terms. Subject to the acceptance by the TSX-V and completion of a definitive agreement, on closing the Sellers will transfer 60% of the shares of Sibzoloto to Orsu for €600 and US\$420,000 cash and Orsu will grant the Sellers a net smelter return royalty of 0.75% on the Sergeevskoe project, to be capped at \$7,500,000 at which point it will expire.

Orsu will carry the Sellers 10% interest until completion of a definitive feasibility study on the Sergeevskoe project, at which point the 10% interest will become a participating interest subject to dilution.

#### Technical Report

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](http://www.sedar.com).

#### *Karchiga Project (Kazakhstan)*

Prior to acquiring the Sergeevskoe project in Russia, the Company’s principal and most advanced project was the Karchiga project located in eastern Kazakhstan.

The Company held a 94.75% interest in the project through its 100% interest in Lero Gold Corp. which in turn held 100% of Eildon Enterprises Limited, the immediate parent of GRK MLD LLP (“MLD”) and the holder of the exploration licence for the Karchiga exploration property.

In October 2017, the Company completed the sale of its 94.75% interest in MLD for net proceeds of \$5,908,000.

#### **Qualified Person**

The Company’s Director of Exploration, 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.

#### **Results of Operations – nine months ended September 30, 2017**

The consolidated loss from continuing operations for the nine months ended September 30, 2017 is \$4,288,000 (2016 - \$1,688,000).

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

Administration totalled \$223,000 (2016 - \$220,000) for the nine months ended September 30, 2017. Overall the Company’s administration costs have decreased significantly since it moved out of the UK to Canada in December 2016. In February 2016, Orsu gave up its leased offices in London and moved into temporary office space and as a result of that move and expiry of the lease it recorded a credit of \$171,000 in administration costs in the prior period for recovered deposits from the lease.

Project investigation costs totalled \$333,000 (2016 - \$Nil) for the nine months ended September 30, 2017. Prior to the acquisition of Sergeevskoe, the Company funded a total of \$462,871 (\$130,000 funded prior to December 31, 2016 and \$333,000 funded to May 18, 2017). These amounts were advanced for exploration prior to May 18, 2017 for funding of the Company’s Sergeevskoe Project in eastern Russia.

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Exploration and evaluation expenditures totalled \$488,000 (2016 - \$Nil) for the nine months ended September 30, 2017. Once the Sergeevskoe project was acquired in May 2017, the Company began recording its exploration cost as exploration and evaluation expenditures rather than project investigation costs. During the period the Company completed exploration work as describe above.

Professional fees totalled \$189,000 (2016 - \$112,000) for the nine months ended September 30, 2017. Current and prior period expenses relate primarily to legal and technical expenses related to the sale of the Company's Karchiga Project.

Salaries and benefits totalled \$402,000 (2016 - \$616,000) for the nine months ended September 30, 2017. In December 2016, the Company made certain management changes and renegotiated certain contracts with the officers of the Company to reduce costs for the coming years.

In addition to the above, the Company recorded the following items during the nine months ended September 30, 2017:

- Non-cash share-based compensation of \$369,000 (2016 - \$Nil) for stock options granted to directors, officers and consultants;
- Gain on amounts receivable from Equus of \$221,000 (2016: \$Nil) related to £174,529 received from Equus Petroleum plc for previously rented office space in London;
- Gain on disposal of assets held for sale of \$12,000 (2016 - \$Nil) related to the sale of the Company's Kogodai Project in Kazakhstan;
- Impairment of assets held for sale of \$2,262,000 (2016 - \$Nil) related to revaluation of the Karchiga project based on the net proceeds received in October 2017; and
- Loss from assets held for sale of \$115,000 (2016 - \$810,000) related to the ongoing administration costs of the Company's Karchiga Project which has been classified as held for sale.

#### **Trends**

The Company is an exploration company. Issues of seasonality or market fluctuations have had a minor impact on the expenditure patterns. The Company expenses its exploration, project investigation and general and administration costs, and these amounts are included in the net loss for each quarter. The Company's treasury, in part, determines the levels of exploration.

The level of the Company's exploration expenditures is largely determined by the strength of the resource capital and commodity markets and its ability to obtain investor support for its projects.

#### **Liquidity and Capital Resources**

Orsu began the fiscal period with \$2,350,000 cash. During the nine months ended September 30, 2017, the Company spent \$1,838,000 on operating activities net of working capital changes, received \$10,000 from the sale of its Kogodai Project and \$34,000 from the acquisition of the Sergeevskoe Project, and received \$133,000 from the exercise of options to end at September 30, 2017 with \$687,000 cash, net of \$2,000 cash that was held for sale.

As at September 30, 2017, the Company had working capital of \$478,000. Subsequent, to September 30, 2017, the Company sold its Karchiga project for net proceeds of \$5,908,000. Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned exploration and operations through the next twelve months.

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**Related Party Transactions**

The Company had no other related party transactions other than those incurred in the normal course of business as disclosed in the Financial Report.

**Additional Disclosure for Venture Issuers without Significant Revenue**

The components of assets held for sale, exploration and evaluation assets, and property, plant and equipment are described in Notes 6, 7 and 8 to the Financial Report.

**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
<b>Balance as at the date of this MD&amp;A</b>	35,718,682	-	3,375,000

**Cautionary Note Regarding Forward-looking Statements**

This MD&A may include or incorporate by reference certain statements or disclosures that constitute “forward-looking information” under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that Orsu or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Orsu and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although Orsu believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of Orsu is subject to a number of risks and uncertainties, including those risk factors discussed under “Risk Management” in the above documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations and the predictions based on them may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by Orsu will be realized or, even if substantially realized, that they will have the expected consequences for Orsu.

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Forward-looking statements are based on the beliefs, estimates and opinions of Orsu's management on the date the statements are made. Unless otherwise required by law, Orsu expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Orsu does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

**Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.orsumetals.com](http://www.orsumetals.com).