



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
QUARTERLY HIGHLIGHTS**

**For the nine months ended September 30, 2019**

(Expressed in US dollars)

# ORSU METALS CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Introduction

The following is management's 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, 2019 and up to the date of this MD&A. The 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's discussion and analysis for the fiscal year ended December 31, 2018 (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, 2018, 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, 2019 (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 29, 2019.

### 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.

Orsu is led by an experienced management team that has worked on various exploration projects in Russia and internationally. Management also notably holds approximately 35 percent of the Company's shares.

Orsu owns 90 percent of the Sergeevskoe gold exploration project located in the Zabaikalsky Region of eastern Russia. The property is leased from the Russian Government until 2031.

### Operational Highlights

On April 17, 2019, the Company announced the results of a maiden mineral resource estimate for its Sergeevskoe Gold Project. An Inferred Mineral Resource of 25.09 million tonnes, grading 1.47 g/t gold and containing 1.19 Moz gold at a 0.5 g/t gold cut-off grade, was optimized into an open pit constrained by the license boundary at Sergeevskoe. The estimate is based on 17,300 m of diamond drilling (82 drillholes) and 5,300 m of channel sampling (39 trenches), completed during Orsu's exploration campaign between January 2017 and October 2018. Section lines for drilling are spaced approximately 80 m apart. The vertical spacing between intersections is also typically 80 m. The central part of Zone 23 and eastern part of Klyuchi West were drilled along the section lines spaced approximately 40 m apart. Historical data are completely excluded from the mineral resource estimate.

The Mineral Resource estimate was independently prepared by Wardell Armstrong International Ltd. (“WAI”) in accordance with the guidelines of the JORC Code (2012)/CIM Definitions Standards and NI 43-101 requirements. On May 23, 2019, the Company filed a technical report titled: “NI43-101 Technical Report on the Initial Mineral Resource Estimate for the Sergeevskoe Property, Zabaikalskiy Krai, Russian Federation” dated effective April 15, 2019 (the “Sergeevskoe Report”) on the Company's profile on [www.sedar.com](http://www.sedar.com).

The maiden Mineral Resource was identified by Orsu from scratch during just two years of work within an approximate 900x600 m area. Orsu now has a robust understanding of the gold grade distribution at Sergeevskoe and will specifically target higher grade areas in order to improve the geostatistical

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parameters in the higher grade shoots and therefore the average gold grade of the system. While the gold-mineralized system is constrained by the license boundary in the east, it remains widely open westward and to the north.

Orsu considers that there is a strong potential to grow the mineralization envelope at the Sergeevskoe Gold Project beyond that identified in this maiden Mineral Resource estimate. The mineralization is open both along the westward strike and downdip. In particular, there is a strong possibility to identify new mineralization at the western continuation of Klyuchi West and Intermediate domains, and only partly drill-tested mineralization in between these domains and Kozie domain. The western extension of Zone 23 remains open, with some gold mineralization recognized in historical holes and by Orsu during scout sampling at the Sergeeva prospect some 500 m west. Peak Klyuchi requires additional attention as a direct continuation of the Intermediate mineral domain. Kozie domain is also open westward, with gold mineralization intercepted in Orsu's trench SKZTR17-11.

In addition, there are numerous occurrences of gold mineralization and geochemical/geophysical anomalies not yet tested by Orsu beyond the area of detailed works within the Company's 7.6 square km license area of the Sergeevskoe project (see press release dated September 21, 2016).

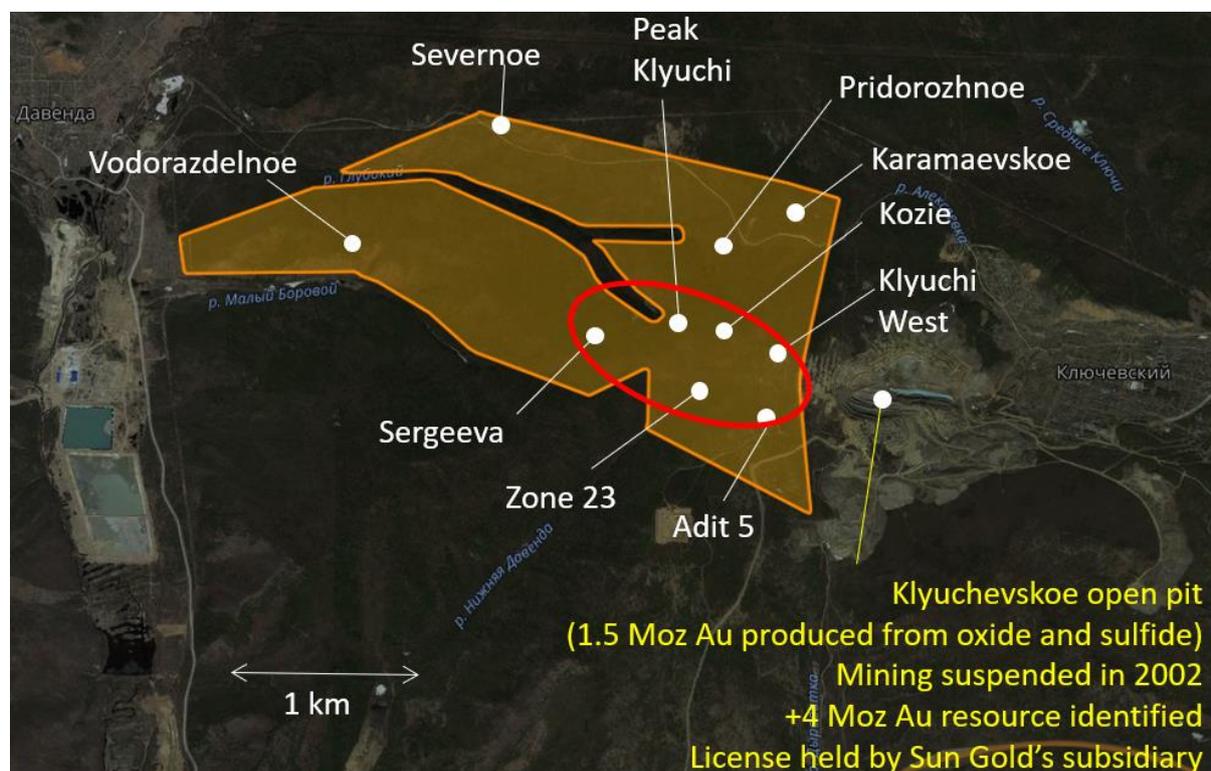


Figure 1. An outline of the 7.6 sq km Sergeevskoe license area with location of principal gold prospects and adjacent Klyuchevskoe open pit. The area of 2017-2019 exploration works is shown in red.

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On November 19, 2019, the Company announced the final trenching and drilling results of the 2019 exploration program, which commenced in July 2019. Based on 2019 drilling (3555.45 m in 14 holes) and trenching (2794.8 m in 14 trenches) exploration program Orsu identified new, and extended previously recognized, mineralized zones at its Sergeevskoe gold project. New mineralized zones were discovered at Peak Klyuchi, Sergeeva and to the north of Kozie, with individual veins varying in length from 250 to 425 m and more than 200 m to a depth. Orsu also tested Zone 23 West, the deep parts of Intermediate and Kozie domains, with results in several instances reshaping and increasing the extent of gold-mineralized veins. These results demonstrate an increase of the mineralized footprint to 2x1 km (Figure 2). Structurally, gold mineralization at Kozie, Peak Klyuchi, Klyuchi West and Intermediate domains occurs in northwest-trending quartz-tourmaline-sulphide veins obliquely controlled by major west-east-trending dextral strike-slip faults. The Shirotnyi fault also controls swarms of sulphide-quartz veins, generally trending west to east, but also forming splays extending to the south at Adit 5 and in the western domain of Zone 23. Based on these results Orsu is planning to update a NI 43-101 mineral resource estimate at Sergeevskoe.

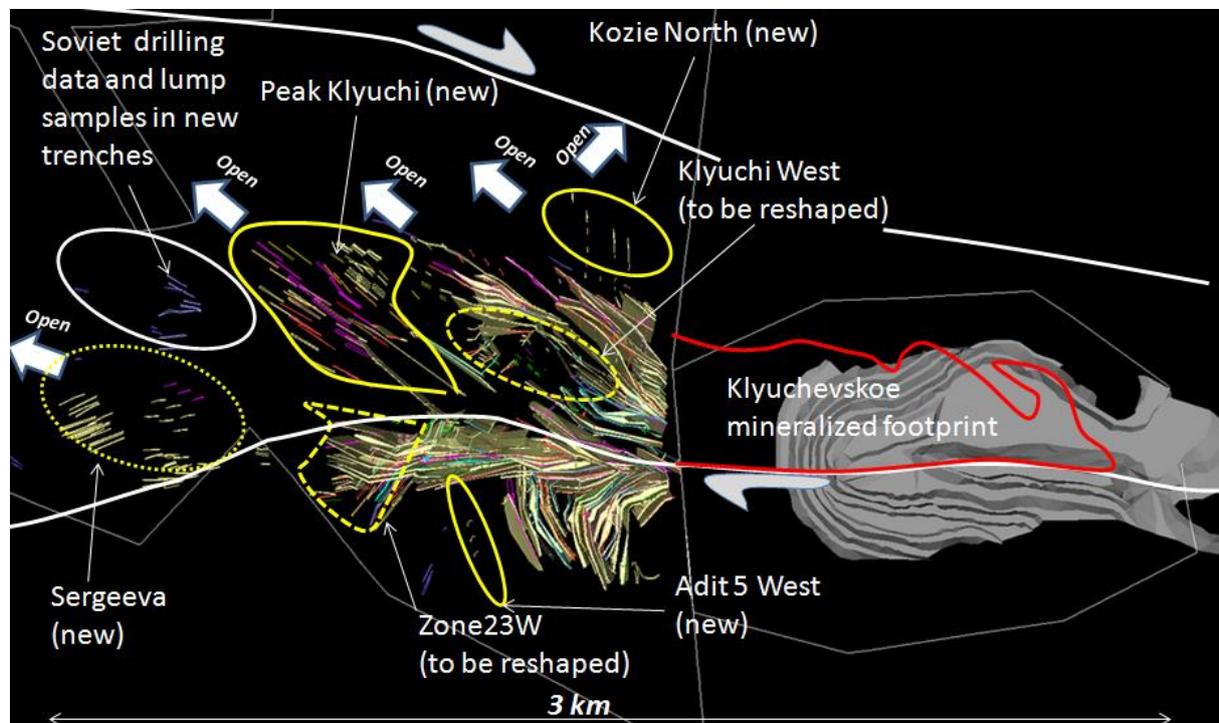


Figure 2. A sketch map of newly identified or reshaped targets at Sergeevskoe in comparison with the Klyuchevskoe mineralized footprint.

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### **Strategy and objectives for 2020**

On November 25, 2019, the Company announced its strategy and objectives for 2020. Pursuant to its exploration license, the Company is required to produce a resource and classified reserve statement to Russian standards by December 2019. The acceptance of the statement by the Russian authorities will then allow the Company to apply for a permit to conduct a bulk-test pilot mining program on a portion of its high-grade mineralization in Q2 2020. Infill drilling will be conducted and based on the assays and metallurgy, the areas for the bulk test will be chosen. If the pilot bulk test is economic the goal is to generate cash flow from a small-scale mining program to fund further exploration on the greater Sergeevskoe project.

The pilot mining project will not reduce the potential economics of the Sergeevskoe deposit and will provide the early cash flow needed to fund a significant expansion drilling and trenching program in Q3 2020 all without further dilution to shareholders.

### **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.

### **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.

### **Results of Operations – nine months ended September 30, 2019**

The consolidated loss for the nine months ended September 30, 2019 was \$1,881,886 compared to \$2,476,538 for the nine months ended September 30, 2018.

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

Exploration and evaluation expenditures totalled \$1,256,409 for the current period compared to \$2,009,582 in the comparative period and all relate to exploration work on the Sergeevskoe project. As discussed above, the Company completed a significant drill program in fiscal 2018 and Q1 2019 and the 2019/2020 exploration program commenced in July 2019.

Investor relations and travel totalled \$274,244 for the current period compared to only \$58,404 in the comparative period. The increase is primarily due to a considerable increase in the Company's attendance at conferences and trade shows in Europe, Moscow and North America and the implementation of various market awareness programs.

Salaries and benefits totalled \$292,945 for the current period and are comparable to the comparative period of \$300,006 and relate to the fees of the Company's officers and directors.

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### Liquidity and Capital Resources

Orsu began the 2019 fiscal year with \$1,681,071 in cash. During the nine months ended September 30, 2019, the Company spent \$1,565,296 on operating activities, net of working capital changes, to end at September 30, 2019 with \$115,775 in cash.

On November 8, 2019 the Company completed two concurrent non-brokered private placements for gross proceeds of C\$1,443,975.

One private placement was a unit offering of 1,400,000 units at a price of \$0.2385 per unit to raise proceeds of C\$333,900 (the "Unit Financing"). Doug Casey, legendary speculator and best-selling author and the leader of Casey Research is one of the several well-respected investors who decided to invest into Orsu in this financing. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.36 per share until November 8, 2022. The Company paid finder's fees of \$20,034 in relation to the Unit Financing.

The other private placement was a special warrant ("Special Warrant") offering of 4,188,962 Special Warrants at a price of \$0.265 per Special Warrant to raise C\$1,110,075 from two directors of the Company (the "Special Warrant Financing"). Each Special Warrant is exercisable into one common share of the Company. Sergei Stefanovich, the Managing Director of the Company, subscribed for C\$990,075 of the Special Warrant Financing and Sergey Kurzin, the Executive Chairman of the Company, subscribed for C\$120,000 of the Special Warrant Financing.

Mr. Stefanovich currently owns or controls 7,272,158 common shares of the Company representing 19.9% of the issued and outstanding shares of the Company before the closing of the Unit Financing and the conversion of all the Special Warrants.

Upon conversion of the Special Warrant into common shares Mr. Stefanovich would own or control 11,008,290 common shares of the Company representing 26.1% of the outstanding common shares of the Company after the closing of the Unit Financing and the conversion of all the Special Warrants into common shares. The Company has arranged to hold a special shareholder meeting on December 20, 2019 for the disinterested shareholders to approve a change of control resolution to allow Mr. Stefanovich to become a controlling shareholder of Orsu. Each Special Warrant will be exercisable into one common share of the Company for no additional consideration upon receipt of all approvals.

As at September 30, 2019, the Company had working capital of \$101,456. As described above, the Company closed two concurrent non-brokered private placements on November 8, 2019 raising an aggregate of C\$1,443,975. Management estimates that these funds may not provide the Company with sufficient financial resources to carry out currently planned exploration and operations over the next twelve months. Accordingly, the Company may need to seek additional sources of financing. 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.

### 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.

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### Additional Disclosure for Venture Issuers without Significant Revenue

The components of exploration and evaluation assets and property, plant and equipment are described in Notes 6 and 7 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	Stock Options	Special Warrants
<b>Balance as at September 30, 2019</b>	36,558,582	3,325,000	-
<b>Unit Financing</b>	1,400,000	-	-
<b>Special Warrant Financing</b>	-	-	4,188,962
<b>Balance as at the date of this MD&amp;A</b>	<b>37,958,582</b>	<b>3,325,000</b>	<b>4,188,962</b>

### 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).