

Orsu Metals Corporation

Management's Discussion and Analysis of Results
March 31, 2011 and 2010

(Figures in United States Dollars)

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

CONTENTS

This Management's Discussion and Analysis ("MD&A") contains the following information:

Directors & Corporate Information	3
Introduction	4
Highlights	4
Core Assets	5
Operational Review	7
Results Of Operations	29
Financial Review	31
Risks And Uncertainties	41
Forward-Looking Information	52
Controls And Procedures	54
Other Information	54

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

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STOCK EXCHANGES

Toronto Stock Exchange, OSU
(Stock is quoted in Canadian Dollars)
AIM Market of the London Stock Exchange, OSU
(Stock is quoted in British Pence)

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The effective date of this MD&A is June 2, 2011.

INTRODUCTION

Orsu Metals Corporation (“Orsu” or the “Company”, and formerly European Minerals Corporation (“EMC”) prior to the acquisition of Lero Gold Corp. (“Lero”) on June 19, 2008) is a dual listed (TSX: OSU; AIM: OSU) London-based precious and base metals exploration and development company exploring gold, copper and molybdenum deposits in the Rudny Altai belt in the Republic of Kazakhstan (or “Kazakhstan”) and the Tien Shan gold belt in the Kyrgyz Republic (or “Kyrgyzstan”).

The Company’s principal and most advanced exploration project is the property comprising a 47.3km² licence area in eastern Kazakhstan containing the Karchiga volcanogenic massive sulphide (“VMS”) deposit (the “Karchiga Project”), which is part of the Rudny Altai polymetallic belt. The Company’s other principal exploration asset is its property in northwest Kyrgyzstan, which is comprised of four licence areas within the Tien Shan gold belt of north western Kyrgyzstan: the Taldybulak, Barkol, Korgontash and Kentash licences (collectively, the “Talas Project”). Approximately 100km to the south west of the Talas Project is the Akdjol-Tokhtazan licence area comprising the Akdjol and Tokhtazan licences (the “Akdjol-Tokhtazan Project”).

The Company also previously operated the Varvarinskoye gold-copper mine in the Urals belt in northern Kazakhstan (“Varvarinskoye” or the “Varvarinskoye Project”) until selling all of its interest and obligations in the Varvarinskoye Project to Open Joint Stock Company Polymetal (“Polymetal”) on October 30, 2009, pursuant to the terms of a sale and purchase agreement dated June 13, 2009 between the Company and Polymetal (the “SPA”).

This MD&A contains management’s assessment and analysis of the operating results and financial condition of Orsu and should be read in conjunction with the Consolidated Financial Statements for the period ended March 31, 2011 and related notes, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the first time, with restatement of certain comparative information presented. 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£.

HIGHLIGHTS

QUARTER HIGHLIGHTS

- January 2011 – the Company confirmed that, pursuant to the SPA, it had earned deferred consideration for 2010 of \$2.7 million and, of this amount, had received \$1.5 million, with the balance of \$1.2 million being rolled over and added (with interest accruing at a rate of 2.8% per annum) to any future deferred consideration earnings, subject to a maximum total entitlement of \$12 million and a maximum annual payment of \$1.5 million.
- February 2011 – the Company announced the assay results for its 2010 infill drilling programme in the North East lode at its Karchiga Project. Please see “Operational Review – Karchiga Copper Project, Kazakhstan” for further information.

POST QUARTER HIGHLIGHTS

- April 2011 – the Company announced that, pursuant to a sale and purchase agreement entered into on May 20, 2010 (the “Karchiga SPA”), it had increased its interest in the Karchiga Project to 94.75% by completing the acquisition of the remaining 26.1% interest in its indirect subsidiary, Eildon Enterprises Limited (“Eildon”), which owns 94.75 per cent of GRK MLD LLC (“GRK”), for cash consideration of \$6,187,500 (the “Karchiga Acquisition”).
- April 2011 – the Company announced that it had received permission from the Ministry of Industry and New Technologies of the Republic of Kazakhstan (“MINT”) to commence mineral extraction for copper at the Karchiga Project.
- April 2011 – the Company announced the results of final metallurgical test work, which was carried out by the Eastern Research Institute for Base Metals (“VNIITsvetMet”) based in Ust-Kamenogorsk, Kazakhstan, under the direction of SRK Consulting (UK) Limited (“SRK”) as part of the ongoing definitive feasibility study for the Karchiga Project (the “Karchiga Definitive Feasibility Study”). Please see “Operational Review – Karchiga Copper Project, Kazakhstan” for further information.
- May 2011 – the Company announced updated pit-constrained mineral resource estimates for its Karchiga Project, prepared by SRK as part of the ongoing Karchiga Definitive Feasibility Study. Please see “Operational Review – Karchiga Copper Project, Kazakhstan” for further information.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

CORE ASSETS

Orsu's principal exploration projects include the following properties in Kazakhstan and Kyrgyzstan.

- **Karchiga Project, Kazakhstan** – The Karchiga Project is located in the extreme east of the Republic of Kazakhstan, within 40km of the Chinese border and within the Rudny Altai belt which is ranked in the top four VMS belts in the world.

In relation to the Karchiga Project, Wardell Armstrong International Limited (“WAI”) was contracted by Orsu in early 2010 to complete an independent review and audit of Orsu's updated mineral resource estimate for the Karchiga Project, from which WAI completed its own mineral resource estimate. WAI's complete technical report titled “Updated Report on the Karchiga Property held by Orsu Metals Corporation, Kazakhstan”, dated March 22, 2010 and prepared by M L Owen and L S Carroll (each of whom is a “qualified person” within the meaning of National Instrument 43-101 (“NI 43-101”) and independent of Orsu) (the “Karchiga Technical Report”), can be viewed under the Company's profile on SEDAR at www.sedar.com. In May 2010, Micon International Co Limited (“Micon”) completed a preliminary assessment or scoping study for the Karchiga Project on behalf of Orsu (the “Karchiga Scoping Study”), based upon the aforementioned WAI mineral resource estimates. Micon's complete technical report titled “Preliminary Assessment of the Karchiga Copper Project, East Kazakhstan Region, Kazakhstan”, dated May 25, 2010 and prepared by L S Carroll, G W Harris, M L Owen, J Steedman and D T Wells (each of whom is a “qualified person” within the meaning of NI 43-101 and independent of Orsu), can be viewed under the Company's profile on SEDAR at www.sedar.com. In September 2010, the Company commenced the Karchiga Definitive Feasibility Study with a view to potentially starting construction in early 2012. In April 2011, Orsu increased its interest in the Karchiga Project to 94.75% by completing the Karchiga Acquisition. In April 2011, as part of the ongoing Karchiga Definitive Feasibility Study led by SRK, Orsu announced final metallurgical test work results and updated pit-constrained mineral resource estimates for the Karchiga Project (the “SRK 2011 Mineral Resource Estimates”).

Further discussion about the Karchiga Project can be found on page 7 of this MD&A. Certain information contained in this MD&A regarding the Karchiga Project has been derived from, and additional information relating to the Karchiga Project can be found in, the Karchiga Scoping Study and the Karchiga Technical Report.

- **Talas Project, Kyrgyzstan** – The Talas Project is located within the Tien Shan gold belt in north western Kyrgyzstan, and is comprised of four licence areas: the Taldybulak, Kentash, Barkol and Korgontash licences. The Taldybulak gold-copper-molybdenum porphyry deposit is the primary exploration area within the Talas Project.

In relation to the Talas Project, WAI was contracted by Orsu in early 2010 to complete an independent audit and review of Orsu's updated mineral resource estimate in relation to the Talas Project, from which WAI completed its own mineral resource estimate. WAI's complete technical report titled “Updated Technical Report on the Taldybulak Property held by Orsu Metals Corporation, Kyrgyzstan”, dated March 22, 2010 and prepared by J C Osmond and M L Owen (each of whom is a “qualified person” within the meaning of NI 43-101 and independent of Orsu) (the “Taldybulak Technical Report”), can be viewed under the Company's profile on SEDAR at www.sedar.com. In September 2010, Orsu announced that Gold Fields Limited, the parent company of Orsu's joint venture partner, Gold Fields Orogen Holding BVI Limited (“Gold Fields”), reported an updated pit-constrained mineral resource estimate relating to Taldybulak, effective June 30, 2010 (the “Taldybulak Mineral Resource”), in its 2010 Annual Report in accordance with the 2007 South African Code for the Reporting of Mineral Resources and Mineral Reserves (the “SAMREC Code”). In November 2010, Orsu announced the positive results of a scoping study for Taldybulak, completed by Mr Rodney Smith (Bsc, MAusIMM), Principal Consultant - Metallurgy of Coffey Mining Pty Ltd. (Perth, Australia) (“Coffey Mining”) and independent of Orsu, on behalf of the joint venture formed by Orsu and Gold Fields relating to the Talas Project (the “Talas Joint Venture”) in accordance with the SAMREC Code (the “Taldybulak Scoping Study”). The work performed in connection with the Taldybulak Scoping Study formed the basis for the pit-constrained Taldybulak Mineral Resource. Orsu subsequently engaged WAI to convert the results of the Taldybulak Scoping Study to NI 43-101 standards and, as a result, WAI completed the report entitled “Updated Technical Report on the Taldybulak Property, Kyrgyzstan, held by Orsu Metals Corporation”, dated December 24, 2010 and prepared by J C Osmond and M L Owen (the “NI 43-101 Taldybulak Scoping Study Report”). A copy of the NI 43-101 Taldybulak Scoping Study Report can be viewed under the Company's profile on SEDAR at www.sedar.com.

Further discussion about the Talas Project can be found on page 18 of this MD&A. Certain information contained in this MD&A regarding the Talas Project has been derived from, and additional information relating

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

to the Talas Project can be found in, the Taldybulak Technical Report and the NI 43-101 Taldybulak Scoping Study Report..

Orsu's other exploration project is comprised of the following:

- **Akdjol-Tokhtazan Project, Kyrgyzstan** - The Akdjol-Tokhtazan Project is located in the Jelal-Abad Oblast, western Kyrgyzstan and is comprised of two exploration licences, Akdjol and Tokhtazan. Further discussion about the Akdjol-Tokhtazan Project can be found on page 26 of this MD&A.

QUALIFIED PERSON

Except for the technical information derived from the technical reports referred to in this MD&A or relating to the SRK 2011 Mineral Resource Estimates, Dr. Alexander Yakubchuk, a "qualified person" (as such term is defined in NI 43-101), reviewed and approved the technical information in this MD&A dated after July 31, 2010. Dr. Yakubchuk verified the data disclosed in this MD&A in respect of exploration results, including sampling, analytical and test data, underlying such information, dated after July 31, 2010. Dr. Yakubchuk is a Director of Exploration and the Chief Operating Officer for Orsu. Technical information in this MD&A dated up to July 31, 2010 and not otherwise derived from the technical reports referred to herein, had been reviewed and approved by Mr. Matthew Boyes (a "qualified person" as defined in NI 43-101) who was the Mineral Resource Manager for Orsu during the relevant time. Mr. Boyes is no longer employed by the Company. Mr. Boyes also verified the data, including sampling, analytical and test data, underlying such technical information reviewed and approved by Mr. Boyes.

Dr Mike Armitage, CEng, CGeol, Group Chairman and Corporate Consultant (Resource Geology) with SRK, and Ms Tracey Laight, MSc, CGeol, FGS, Senior Consultant (Mining Geology) with SRK, both of whom are "qualified persons" as such term is defined in NI 43-101 and independent of Orsu, have reviewed and approved the information in this MD&A relating to the 2011 SRK Mineral Resource Estimates. Ms Tracey Laight is the person responsible for the 2011 SRK Mineral Resource Estimates.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

OPERATIONAL REVIEW

The Company is exploring advanced stage copper, gold and molybdenum deposits in the Rudny Altai metallogenic belt in Kazakhstan and in the Tien Shan metallogenic belt in Kyrgyzstan. These exploration projects are held by Orsu through its wholly-owned subsidiary, Lero, and its direct and indirect subsidiaries.

The Company has been using, and will continue to use, its current working capital resources, including the funds raised from a prospectus offering completed in April 2010 pursuant to which gross proceeds of CAD\$28,000,000 were raised (the "Offering"), to satisfy the Company's expenditure obligations in respect of its mineral exploration properties as described below.

KARCHIGA COPPER PROJECT, KAZAKHSTAN

Licence Information

The Karchiga Project is the Company's most advanced project. The Karchiga Project is located in the extreme east of the Republic of Kazakhstan, within 40km of the Chinese border. The deposit at the Karchiga Project is situated within the north west striking, mid-Palaeozoic, Rudny Altai VMS belt, the host of numerous world class copper bearing VMS deposits, including the Leninogorsk (also known as Ridder-Sokolnoye), Zyryanovskoye, and Maleevskoye deposits. The Rudny Altai is ranked in the top four VMS belts of the world.

The Company's interest (through its indirect subsidiary, GRK) in the Karchiga Project is governed by an exploration and production contract (the "Karchiga Project Contract"), as amended by the Karchiga Amendments (as defined below), granted to GRK by the former Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (the "Former MEMR") until February 28, 2024. Pursuant to the Karchiga Project Contract, GRK has been granted the right to explore and produce copper within the boundary of the contract area.

On April 20, 2010 the first amendment to the Karchiga Project Contract, registration No. 3565 – TPI (the "First Amendment") was executed and registered with the MINT (the entity to which the Former MEMR's responsibilities in the regulation of the Kazakh mining industry have been transferred). The First Amendment includes: (i) an approved increase to the work program under the Karchiga Project Contract; and (ii) a delay in the obligation to return parts of the contract area until the expiration of the exploration period (the "Return Date").

On June 28, 2010 the second amendment to the Karchiga Project Contract, registration No. 3647 – TPI (the "Second Amendment", and the Second Amendment together with the First Amendment, the "Karchiga Amendments") was executed and registered with the MINT. The Second Amendment includes, among other things, an extension of each of the exploration period under the Karchiga Project Contract and the Return Date to February 28, 2012.

While each of the Karchiga Amendments was submitted to the Former MEMR by the relevant deadlines, their execution and registration by the MINT occurred after the applicable deadlines for doing so (as provided for in the Former MEMR's original approvals of such amendments).

All outstanding requirements under the Karchiga Project Contract, as amended, have been satisfied.

In April 2011, the Company received approval from the MINT to commence mineral extraction for copper at the Karchiga Project. This approval is the initial step in obtaining all of the necessary approvals and permits to commence mining operations.

The expenditures and obligations of GRK relating to the Karchiga Project are outlined in Table 1.

Table 1: Karchiga Project Contract Expenditures (2007-2010) and Expenditure Obligations (2011-2012)

Year	Expenditures
2007 (Actual expenditures)	\$807,000
2008 (Actual expenditures)	\$2,700,000
2009 (Actual expenditures)	\$1,000,000
2010 ⁽¹⁾ (Actual expenditures)	\$2,528,000
2011 ⁽¹⁾ (Expenditure obligations)	\$545,000
2012 ⁽¹⁾ (Expenditure obligations)	\$80,000

⁽¹⁾ A condition of the Second Amendment is that the expenditure obligations of the Company on the Karchiga Project between 2010 and 2012 amounts (in aggregate) to not less than \$850,000. The Company incurred expenditures of \$2,528,000 during 2010.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The Karchiga SPA

Following the completion of the Karchiga Acquisition in April 2011, the Company's interest in the Karchiga Project is as follows:



2010 Mineral Resource Estimates

A NI 43-101 compliant mineral resource estimate for the Karchiga Project was reported on March 22, 2010 in the Karchiga Technical Report (entitled "Updated Report on the Karchiga Property held by Orsu Metals Corporation, Kazakhstan", dated March 22, 2010 and prepared by M L Owen and L S Carroll), a copy of which has been filed under the Company's profile on SEDAR (www.sedar.com). The "qualified persons" (as such term is defined in NI 43-101) responsible for the mineral resource estimates in the table below are M L Owen and L S Carroll (who are both independent of Orsu).

Table 2: Karchiga Project Mineral Resource Estimates (WAI, March 22, 2010)

WAI Indicated Mineral Resources for Karchiga Cu VMS Project						
Cut-off Cu (%)	Area	Type	Tonnes (Mt)	Grade Cu (%)	Metal Cu (t)	Metal Cu (Mlb)
0.3	Central + North East	Sulphide	8.05	1.93	154,958	342
0.5	Central + North East	Sulphide	7.56	2.02	153,000	337
0.3	Central	Oxide	1.09	1.25	13,545	30
0.5	Central	Oxide	0.93	1.39	12,868	28

WAI Inferred Mineral Resources for Karchiga Cu VMS Project*						
Cut-off Cu (%)	Area	Type	Tonnes (Mt)	Grade Cu (%)	Metal Cu (t)	Metal Cu (Mlb)
0.3	North East	Sulphide	1.83	1.60	29,260	65
0.5	North East	Sulphide	1.79	1.62	29,120	64

*All Inferred mineral resources are quoted completely exclusive of the Indicated resources. Mineral resources are shown at a 0.3% Cu and 0.5% Cu as these are considered to be possible economic cut-off grades for this deposit; although, economic and mining studies are required to determine the actual cut-off grade. Mineral resources are reported without mining constraints other than the cut-off grade, no pit shell, mine design, or minimum mining width, which have been used to restrict the reported mineral resources.

** See also "Updated Pit-Constrained Mineral Resource Estimates" below.

Karchiga Scoping Study

In May 2010, Micon completed, at the request of Orsu, the Karchiga Scoping Study. The Karchiga Scoping Study is based on the above Indicated and Inferred mineral resource estimates (March 22, 2010) prepared by WAI. The Karchiga Scoping Study (entitled "Preliminary Assessment of the Karchiga Copper Project, East Kazakhstan Region, Kazakhstan" and dated May 25, 2010) was prepared by Liv S Carroll (MIMMM CGeol FGS), Geraint Harris (MAusIMM), Mark L. Owen (CGeol EurGeol FGS), Jonathan Steedman (MAusIMM) and David T. Wells (MIMMM CEng), each of whom is a "qualified person" within the meaning of NI 43-101 and independent of Orsu. A copy of the Karchiga Scoping Study can be viewed under the Company's profile on SEDAR at www.sedar.com.

The Karchiga Scoping Study, including pit optimization, contemplates mining a total of 7,580,389 tonnes grading 1.94% copper, containing 146,778 tonnes of copper metal. 86% of the tonnage totaling 6,487,556 tonnes with a grade of 1.97% copper is derived from Indicated mineral resources, and 14% of the tonnage totaling 1,092,833t with a grade of 1.71% copper is derived from Inferred mineral resources. At a nominal mining and processing rate of 750,000 tpa of mineralized feed, the project life is expected to exceed ten years. For the purposes of the Karchiga Scoping Study, all oxide material was considered to be waste and assigned no economic value.

The Karchiga Scoping Study results referred to below in this MD&A are based on 100% ownership of the Karchiga deposit.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The Karchiga Scoping Study base case economic analysis indicates a discounted cash flow, over approximately 10 years, net present value ("NPV") of approximately \$138 million and an internal rate of return ("IRR") of 40.5% (refer to Tables 3 & 4 below) based on a flat copper price of \$3.00/lb. The NPV and IRR figures have been calculated pre-tax and pre-finance cost Life Of Mine ("LOM"), assuming an initial capital cost of \$100.16 million and a discount rate of 10% per annum.

Table 3: NPV¹⁰ and IRR Sensitivity against Cu Price, MICON May 2010

Cu Price		
Cu (\$/lb)	NPV ₁₀ (\$ millions)	IRR (%)
2.40	59.2	24.2
2.60	85.6	29.9
2.80	112.1	35.3
3.00 (Base Case)	138.5	40.5
3.20	165.0	45.4
3.40	191.4	50.4
3.60	217.9	55.1

Table 4: NPV₁₀ and IRR sensitivity against Capex, Opex and Revenue, MICON May 2010

Variable	Capex		Opex		Revenue	
	NPV ₁₀ (\$ M)	IRR (%)	NPV ₁₀ (\$ M)	IRR (%)	NPV ₁₀ (\$ M)	IRR (%)
Variance from Base Case (%)						
70%	164.7	58.8	191.4	51.6	21.3	15.4
80%	156.0	51.4	173.8	47.9	60.4	24.4
90%	147.2	45.4	156.2	44.2	99.5	32.7
100%	138.5	40.5	138.5	40.5	138.5	40.5
110%	129.8	36.4	120.9	36.8	177.6	47.9
120%	121.1	32.9	103.3	33.0	216.7	55.0
130%	112.4	29.9	85.7	29.2	255.8	61.8

*Micon notes that the preliminary assessment is preliminary in nature and includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as Ore Reserves under the guidelines of the Australian Joint Ore Reserve Committee, as amended in 2004 (JORC Code) or Mineral Reserves under the guidelines of the Canadian Institute of Mining, Metallurgy and Petroleum. As such, there is no certainty that the preliminary assessment will be realised. Mineral resources that are not Ore/Mineral Reserves do not have demonstrated economic viability.

**NPV₁₀ refers to an NPV calculated at a discount factor of 10%.

A conventional processing route was chosen using relatively fine grinding and selective sulphide flotation to produce the final marketable concentrate product. The preliminary assessment forecasts a LOM average recovery of over 90%, resulting in a marketable concentrate with an average grade of 22% Cu containing 132,637t of copper. Further optimization studies will be required as part the Karchiga Definitive Feasibility Study.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Tables 5 and 6 show key cost parameters and LOM financial highlights for Karchiga operation at base case \$3.00/lb Cu.

Table 5: LOM Operating Cost Summary

Area	Unit Cost (\$/tonne of ore)
Mining	17.04
Processing	10.10
General and Administration	3.56
Total Cash Production Cost	30.70
Concentrate Transport	5.01
Mineral Extraction Tax	7.04
Property Tax	0.99
Total Operating Cost	43.75
Total Operating Cost (\$/lb Cu)	1.13

Table 6: Base Case LOM Financial Highlights

Criteria	Unit	Value
Net Revenue	\$ million	765.42
Net Smelter Return	%	87.3
Production Cost	\$/tonne of ore	30.70
Operating Cost	\$/tonne of ore	43.75
Operating Cost	\$/lb of Cu	1.13
Initial Capital Cost	\$ million	100.16
LOM Capital Cost	\$ million	102.63
Net Cash Flow	\$ million	340.34
NPV ¹⁰	\$ million	138.53
IRR	%	40.5
Initial Capital Payback	years	1.98

Karchiga Definitive Feasibility Study and Associated Exploration Programme

In September 2010, SRK was commissioned to undertake the Karchiga Definitive Feasibility Study with an expected date for completion of October 2011. As part of the Karchiga Definitive Feasibility Study, WAI has been commissioned to prepare a Baseline Study and Environmental and Social Impact Assessment study (an "ESIA"). In addition, other international and Kazakh companies are being engaged to carry out additional necessary studies which will form part of the Karchiga Definitive Feasibility Study. To satisfy Kazakh requirements the following additional studies, running in parallel with SRK, will also be performed:

- a locally commissioned Kazakh Feasibility Study for submission and approval with the Kazakh authorities (local Kazakh institute);
- a local Environmental Baseline Study leading to the preparation of a full OVOS (Kazakh equivalent to an ESIA); and
- additional metallurgical test work to be carried out by a local authority under the supervision of SRK and Orsu.

In-fill Resource Drilling

In order to satisfy the requirements for the Karchiga Definitive Feasibility Study, it has been necessary to perform in-fill resource drilling (aiming to convert Inferred mineral resources into Indicated mineral resources in the North East lode of the Karchiga deposit), geotechnical drilling for open pit design, metallurgical sample drilling and hydrological drilling for monitoring holes and pumping wells.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The drilling programme (Table 7) consisted of 72 holes totalling 6,952 meters. All drilling was completed by November 30, 2010.

Table 7: Completed 2010 Drilling Programme

Activity	Number of Holes	Metres
Infill Resource Drilling (for resource up-date)	40	3,876
Geotechnical core drilling (for open pit design)	8	1,310
Hydrological Drilling (for open pit slope angle design)	6	476
Monitoring Hydrological Drilling (for water sampling, ESIA)	6	467
Metallurgical Drilling (for additional metallurgical test work)	12	823
Total	72	6,952

All assay results of the infill resource drilling programme were received by the Company by February 10, 2011. As a result, the information that follows relating thereto has not been derived from the above-mentioned technical reports. The Karchiga deposit consists of the Central and North East lodes and the 2010 infill drilling programme was focussed on potentially up-grading the Inferred mineral resources of the North East lode to the indicated category. The 2010 mineral resource estimate showed that the mineralisation in the North East lode was located within three shallow-dipping zones of massive and disseminated sulphide bodies. The 2010 infill drilling programme, however, demonstrated that there is continuity between these lenses and in fact they form a single lode with two mineralised lenses, occurring stratigraphically one above another, with a strike length of approximately 1.0km.

Table 8 below shows average copper and gold grades for significant intercepts in the North East lode from the 2010 drilling programme:

Table 8: Summary of significant intercepts of the sulphide ore in the North East lode, showing average copper and gold grades per intercept at 0.3% Cu cut-off.

Hole ID	From	To	Drilled width, m	Cu, %	Au, g/t
KGDD10-118	70.8	71.7	0.9	5.95	0.42
and	74.0	76.0	2.8	0.38	0.10
and	81.0	84.0	3.0	0.76	0.09
and	89.2	89.6	0.4	8.48	0.96
KGDD10-119	48.0	56.3	7.6	1.40	0.16
KGDD10-120	89.7	95.6	5.9	2.06	0.14
KGDD10-121	11.5	33.2	15.4	0.35	0.03
KGDD10-122	104.80	106.4	1.6	3.79	0.61
KGDD10-123	79.1	90.9	8.5	3.28	0.22
and	96.8	97.9	1.1	6.83	0.57
KGDD10-124	61.0	64.2	3.2	0.93	0.09
and	66.8	67.8	1.0	0.67	0.06
KGDD10-125	102.2	103.0	0.8	0.82	0.06
and	107.0	109.2	2.2	1.46	0.07
KGDD10-126	5.3	21.2	15.7	2.55	0.61
KGDD10-127	5.6	18.8	13.2	2.10	0.60
KGDD10-129	84.2	88.8	5.3	2.55	0.24
and	94.5	98.0	3.5	2.34	0.22
KGDD10-130	94.45	100.0	5.55	2.45	0.21
KGDD10-131	31.0	32.0	1.0	0.39	0.1

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Hole ID	From	To	Drilled width, m	Cu, %	Au, g/t
and	34.62	38.7	4.08	0.35	0.14
KGDD10-132	81.0	82.0	1.0	0.98	0.43
and	87.0	89.0	2.0	0.74	0.07
and	98.0	100.0	2.0	0.46	0.10
KGDD10-133	115.9	116.9	1.0	2.66	0.35
and	119.0	120.05	1.05	3.78	0.43
and	124.2	124.7	0.5	6.18	0.96
KGDD10-135	70.1	72.1	2.0	0.47	0.09
and	74.7	77.7	3.0	2.42	0.24
KGDD10-136	61.9	66.8	4.9	2.34	0.25
and	83.9	84.8	0.9	1.59	0.27
KGDD10-137	84.25	88.25	4.0	2.35	0.18
KGDD10-138	76.25	79.15	2.9	0.79	0.08
KGDD10-139	44.85	48.9	4.05	5.43	0.91
and	61.13	67.63	6.5	1.05	0.27
KGDD10-140	80.8	86.46	5.66	1.80	0.18
and	89.4	91.3	1.9	3.8	0.74
KGDD10-143	75.46	76.64	1.18	7.59	0.46
and	80.9	89.5	8.6	4.99	0.39
KGDD10-144	107.82	109.5	1.68	4.19	0.18
KGDD10-145	90.6	93.7	3.1	1.44	0.18
and	99.7	101.4	1.7	1.67	0.29
KGDD10-147	59.3	61.5	2.2	0.60	1.24
KGDD10-150	88.9	94.7	5.8	0.99	0.14
and	97.6	98.1	0.5	6.41	1.2
KGDD10-151	102.0	103.9	1.9	3.43	0.14
SRK-GT10-8	8.3	14.8	6.5	2.44	0.18

Estimated true widths vary from 70% to 100% of drilled width

Eight hundred and twenty samples, including 68 standards and 34 duplicates, were prepared from the intervals hosting massive and disseminated sulphide mineralisation. All samples were submitted and assayed in the VNIITsvetMet laboratory in Ust-Kamenogorsk, Kazakhstan. The laboratory is part of VNIITsvetMet, a Kazakh Institute, which specializes in metallurgical studies for base metals and is independent of Orsu.

All sampling procedures and drill core logging were reviewed by a competent person from Orsu (under guidelines set out in NI 43-101) ensuring samples are taken and results from the laboratory were checked in line with NI 43-101 guidelines. A stringent QA/QC programme has been put in place to satisfy NI 43-101 requirements. Core samples have been collected continuously from the visually identifiable intervals mineralized with massive and/or disseminated sulphides, including at least 5 m of host rock above and below such intervals. Blank samples have been inserted every 9th to 19th sample depending of the sampled width, but before standards. Standards have been inserted, on average, every 10th and 11th or 19th and 20th sample within the sample number sequence for the drill core. Assay duplicate samples were selected from quarter core on a random basis from both mineralized and unmineralised intervals, and usually inserted after the standards.

Hydrological Test Work

The Company commenced the hydrological field tests in November 2010. The results of the tests will be used to determine open pit slope angles. Hydrological holes, drilled at various locations around the site, are being monitored and used to test water quality and ground water flow modeling. The first round of ground water sampling for the ESIA was carried out in December 2010.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Metallurgical Test Work

Metallurgical sample drilling has been completed and the core has been sampled. The metallurgical test work on both sulfide and oxide ore commenced in December 2010 and, on April 28, 2011, the Company announced the results of the test work which was carried out by VNIITsvetMet under the direction of Orsu personnel and SRK.

The metallurgical test work was conducted on 1.5 tonnes of metallurgical samples, selected from the drill core of metallurgical holes drilled in late 2010 as part of the Karchiga Definitive Feasibility Study in both the Central and North East lodes of the deposit at the Karchiga Project. Test results indicate an amenability to produce marketable copper concentrates (see technical report entitled "Preliminary Assessment of The Karchiga Copper Project, East Kazakhstan Region, Kazakhstan", dated May 25, 2010).

The recent test work is the most representative study to date, which was focussed on:

- improvement of copper grade in concentrate without loss of copper recovery and improved zinc rejection in the ores from the Central and North East lodes and their composite samples ("Froth Flotation"); and
- development of a copper heap leaching process to potentially treat the oxide ores and transitional secondary sulphide components of the Central lode ("Heap Leaching").

Froth Flotation Test Work

A test work programme, staged in three phases, was performed on a composite sample of sulphide ores from both the Central and North East lodes, mixed in the proportion of 40% to 60%, respectively (the "Main Composite").

During Phase 1, various grinds, reagents and flow sheets were tested. During Phase 2, combinations of the Phase 1 tests with improved parameters were examined. Phase 3 tests were finally comprised of variability testing of the optimised process on spatial diversity of the lodes plus locked cycle testing on composite samples, individually representing the massive and disseminated ores from the Central and North East lodes (the "Central and North East Composites", respectively).

For the Main Composite, reduced quantities of the flotation collectors (Butyl Xanthate and Aerofloat) and the Na₂S (Sodium Sulphide) modifier, coupled with extended flotation times in rougher, scavenging and cleaning sections of the flow sheet, gave the desired improvements in the copper concentrate grade. The results from the locked cycle test performed on the Main Composite is given in Table 9, which compares the results from the locked cycle test performed by VNIITsvetMet in 2009 on a similar composite sample.

Table 9: Locked cycle tests for Main Composite

Test Year	% Mass	% Cu Grade in Concentrate	% Zn Grade in Concentrate	% Cu Recovery	% Zn Recovery
2009	10.11	19.90	3.32	91.05	83.84
2011	8.86	27.90	5.00	95.76	81.54

Table 9 shows a significantly improved copper recovery into concentrate from 91.05% to 95.76%, achieved during the Phase 3 test work programme. At the same time, the copper grade of the concentrate produced from the Main Composite has increased from 19.9% Cu to 27.9% Cu, whereas the overall mass recovery into the concentrate has been reduced from 10.11% to 8.86%, which will ultimately translate to reduced transportation costs.

The zinc recovery has been lowered from 83.84% to 81.54% while the zinc grade of the concentrate has increased, partly due to the higher zinc head grade, still remaining at an acceptable level of 5% Zn. The greater flotation selectivity, achieved in this round of test work, affords the opportunity to operate at a lower concentrate grade of, for instance, 25% Cu, which would result in an increase in the copper recovery and a decrease in the zinc grade in the concentrate.

In addition, the gold grade in the Main Composite concentrate was 1.57 g/t Au, with 50.44% recovery.

Table 10 shows results from locked cycle tests performed on the Central and North East Composites from the Central and North East lodes, respectively, and the respective potential pits of the Karchiga deposit. The Central Composite is a blend of 15% massive and 85% disseminated ores, whereas the North East Composite is a blend of 25% massive and 75% disseminated ores.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Table 10: Locked cycle test for the Central and North East Composites

Lode	% Mass of Ore	% Cu Grade in Concentrate	% Zn Grade in Concentrate	g/t Au in Concentrate	% Cu Recovery	% Zn Recovery	% Au Recovery
Central	10.34	24.15	1.28	0.34	96.20	73.97	28.18
North East	9.98	21.60	7.20	1.65	91.59	86.93	54.95

The results for the Central Composite are similar with those of the Main Composite in terms of copper and zinc grades. The gold grade in the Central Composite concentrate is 0.34 g/t Au.

In the North East Composite, however, the copper grade in concentrate is 21.6%, with a gold grade of 1.65 g/t Au. The level of zinc in the concentrate was higher than expected. Orsu believes that this result is related to a build up of frother in the locked cycle test, leading to poor selectivity between the copper and zinc sulphides, and may be simple to rectify. For instance, the ore from the Central pit may be processed alone in Year 1. A blend of ores from the Central and North East pits may then be processed during Years 2 to 6, and this may be followed by just over 4 years of further processing of ore from the North East pit only. Optimisation for mine planning and milling will be undertaken as part of the Karchiga Definitive Feasibility Study to determine the best way to blend and treat these ores.

Variability testing using the optimised flotation process has been performed on nine different samples from different locations in the deposit or their composite make up. The variability test results did not highlight any major behavioural deviation in metallurgical response from that of the standard composite in terms of recovery and grade.

Heap Leaching Test Work

The Central lode of the Karchiga deposit has an Indicated mineral resource of the oxide ore in the amount of 0.93Mt (at 0.5% Cu cut-off) grading 1.39% Cu and containing 12,868 t Cu (see technical report entitled "Updated Report on the Karchiga Property held by Orsu Metals Corporation, Kazakhstan" and dated March 22, 2010). Three acid leach columns were loaded with a blend of oxide and transitional secondary sulphide from the Central pit area and subsequently irrigated with a weak acid solution. Of the three columns, one, which contained added bacteria and which was aerated at the base, significantly outperformed the other two columns. This result was not unexpected and serves to demonstrate the efficiency of bacterial leaching for this type of ore. After 100 days, this column had achieved 68% Cu recovery, which corresponds very closely to 100% of the total material that was available in the sample for leaching.

Metallurgical Test Work Quality Assurance & Quality Control

The Quality Assurance (or "QA") and Quality Control (or "QC") carried out on the metallurgical test work was undertaken by the VNIITsvetMet Research Institute, which is part of the National Centre for the processing of minerals belonging to the MINT, and was under the direction of Orsu personnel and SRK. VNIITsvetMet is accredited for testing and calibration (Accreditation Certificate number RK ISO/IEC 17025-2007), holds a state licence for mining and production facilities design (Licence number 002268) and holds a state licence for services relating to environmental protection (Licence number 44763). The test work was supervised by Dr David Pattinson CEng., MIMM, BSc (an employee of SRK and independent of Orsu).

Both the QA and QC tests carried out on the ore samples provided by the Company were in accordance with the Quality Management System procedures as defined and required by the MINT. The QA and QC process involved taking an independent known 'Standard' sample and cross checking this against every 10 ore samples from the metallurgical tests provided by the Company. In addition, random ore samples provided by the Company were cross checked using three different techniques: atomic absorption; Induction Couple Plasma and classical chemical assay determination.

Updated Pit-Constrained Mineral Resource Estimates

Mineralisation at Karchiga occurs in the Central and North East lodes. The VMS style of the mineralisation in both lodes is hosted along the contacts between the shallow dipping alternating amphibolite and quartz mica schist units. The two lodes have a strike length in excess of 1km and have been intersected down to depths of 200m below the surface. In the Central lode, the mineralisation is located within a series of shallow-dipping massive and disseminated sulphide bodies stacked at three stratigraphic levels and primarily consists of chalcopyrite-pyrrhotite and pyrite mineralisation. In the North East lode, the 2010 drilling results revealed the mineralisation, also primarily consisting of chalcopyrite-pyrrhotite and pyrite, to be located within two subparallel shallow-dipping and moderately folded massive

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

and disseminated sulphide lenses, whereas it was previously thought that there was only one stratigraphic level of mineralisation.

The SRK 2011 Mineral Resource Estimates, prepared by SRK according to the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves, relate to the sulphide mineralisation in both the Central and North East lodes of the Karchiga deposit. SRK has interpreted and wireframed a series of narrow mineralised lenses with varying dips in both the Central and North East lodes using a nominal 0.1%Cu cut-off. SRK constrained the mineral resources to material with reasonable prospects for economic extraction in two optimised open pits and by applying a cut-off grade of 0.3% copper. The Indicated mineral resources are 7.1Mt of ore, grading 1.85% copper and containing 131,860t of copper metal, and the Inferred mineral resources are 1.2Mt of ore, grading 1.68% copper and containing 19,860t of copper metal. Table 11 shows the breakdown of the mineral resources for each lode and resource category.

Table 11: Pit-Constrained SRK 2011 Mineral Resource Estimates (Effective May 6, 2011)

Indicated Mineral Resources									
Lode	Type	Cut-off Cu (%)	Tonnes (Mt)	Grade Cu (%)	Metal Cu (t)	Metal Cu (Mlb)	Grade Au (g/t)	Metal Au (t)	Metal Au (koz)
Central	Sulphide	0.3	4.4	1.92	84,590	186.48	0.08	0.36	11.73
North East	Sulphide	0.3	2.7	1.74	47,270	104.21	0.23	0.63	20.32
Total	Sulphide	0.3	7.1	1.85	131,860	290.69	0.14	1.00	32.05

Inferred Mineral Resources									
Lode	Type	Cut-off Cu (%)	Tonnes (Mt)	Grade Cu (%)	Metal Cu (t)	Metal Cu (Mlb)	Grade Au (g/t)	Metal Au (t)	Metal Au (koz)
North East	Sulphide	0.3	1.2	1.68	19,860	43.77	0.18	0.21	6.73

*Some figures may not sum exactly due to rounding.

The reported mineral resources in Table 11 are relatively insensitive to moderate changes in the cut-off grade up to 0.5% copper cut-off. In addition, the deposit contains gold which is recoverable, based on the metallurgical studies conducted as part of the Karchiga Definitive Feasibility Study and reported by the Company above under "Metallurgical Test Work".

The oxide mineral resource estimates in the Central lode remain unchanged from that which was previously reported by the Company in the Karchiga Technical Report (see technical report entitled "Updated Report on the Karchiga Property held by Orsu Metals Corporation, Kazakhstan" and dated March 22, 2010) (the "WAI 2010 Estimate").

Whilst SRK used the same digital surface topography model and weathered horizon to distinguish the oxide from the sulphide as previously used for the WAI 2010 Estimate, the SRK 2011 Mineral Resource Estimates are also based on the recent in-fill drilling completed by Orsu in 2010 and an updated drill hole database, the integrity of which has been verified by Ms Tracey Laight from SRK. Assays for the 2010 in-fill drilling programme have been completed for Cu, Zn, Pb, and Au in the VNIITsvetMet laboratory, which is independent from Orsu and SRK. Standard, blank, and duplicate samples were inserted after approximately every 20 ordinary core samples. The ordinary half core samples have been taken from visually mineralised intervals and 5 m of visually unmineralised material below and above the mineralized intervals. The remaining half core samples are stored at the Orsu facility in Ust-Kamenogorsk, Kazakhstan. The SRK 2011 Mineral Resource Estimates have been derived using all data available at the end of April 2011, which SRK has reviewed and which SRK is confident is sufficient in terms of both quantity and quality to support the SRK 2011 Mineral Resource Estimates.

SRK produced new solid models (wireframes) constrained at 0.1%Cu cut-off grade and domaining for each individual mineralised zone and capped high copper grades where it considered this to be appropriate based on a statistical analysis of the available assay results.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

A total of six domains have been modelled in the Central lode, three of which contained a separately modelled high grade zone, and three domains have been modelled in the North East lode. 3D wireframes were created from 2D sections which were spaced at 25m intervals in each of the Central and North East lodes. SRK and Orsu interpreted four post-mineral faults which run across the deposit and SRK used these faults as terminations to the mineralised domains. No more than 2m of waste has been included in the 2D sections used to produce the 3D wireframes.

The grade interpolation was carried out on 2m down hole composited drill hole samples selected within a hard boundary 0.1% Cu grade wireframe. Material types and samples data were subsequently extracted and subset within these discrete domains and grade interpolation was constrained to each individual domain separately.

SRK used a block size of 25m (X) by 25m (Y) by 5m (Z). Cu, Zn, Pb and Au grades were interpolated into the blocks using an Ordinary Kriging algorithm based upon the results of geostatistical modelling completed for the relevant sulphide data sets.

Specific gravity measurements were carried out for the different material types collected from Karchiga diamond drill core and an in-situ bulk density value assigned to the block model based on the relationship between grade and bulk density below the weathered surface revealed by a regression analysis. Data from the Company's 2008 and 2010 drilling has enabled density regression plots to be established for the Central and North East lodes.

Table 12 shows the pit optimisation parameters that were used to define a pit outline which was then used to constrain the mineral resource to material with reasonable prospects for economic extraction. The slope angle parameters are the result of the geotechnical study undertaken by SRK. The Mining, Processing, and Operating Cost and the Net Smelter Return ("NSR") parameters have been taken from the Karchiga Scoping Study. A long term metal price of \$2.95/lb Cu was assumed by SRK, in contrast to \$3.00/lb Cu used in the Karchiga Scoping Study. Currently, no mineral reserve has been estimated as part of SRK's work, although a mineral reserve estimate is planned as part of the Karchiga Definitive Feasibility Study on the basis of the SRK 2011 Mineral Resource Estimates.

Table 12: Pit Optimisation Parameters

Parameter	Value
Overall slope angle	
Central Pit:	
Hanging Wall	49°
Footwall	49°
North East Pit:	
Hanging Wall	51°
Footwall	47°
Northern Wall	47°
Mining & Processing	
Mining Recovery	95.0%
Mining Dilution	5.0%
Cu Processing Recovery	90.00%
Costs	
Mining Cost	
Ore	\$1.80/t
Oxide	\$1.30/t
Waste	\$1.60/t
Processing Cost	\$9.00/t ore feed
General & Administrative Cost	\$5.00/t ore feed
Royalty	6% of ore feed
Price	
Cu Selling Price	\$6500/t product (\$2.95/lb)
NSR	83% of product

Comparison with Previous Pit-Constrained Estimates

Table 13 shows a comparison between the SRK 2011 Mineral Resource Estimates and previously reported mineral resource estimates in the Karchiga Scoping Study, both pit-constrained. The cut-off grade of 0.34% copper used in the mineral resource estimates in the Karchiga Scoping Study was back-calculated based on the economic

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

parameters used in the Karchiga Scoping Study and shown in Table 12 above. It should be noted that the SRK 2011 Mineral Resource Estimates are reported without dilution and loss, while the mineral resource estimates contained in the Karchiga Scoping Study were reported allowing for 5% mining loss and 5% mining dilution.

Table 13: Comparison of Pit-Constrained Mineral Resource Estimates for the Karchiga Project

Indicated Mineral Resources								
Estimate	Effective Date	Cut-off Cu (%)	Lode	Type	Tonnes (Mt)	Grade Cu (%)	Metal Cu (t)	Metal Cu (Mlb)
SRK 2011	May 6, 2011	0.34	Central & North East	Sulphide	7.1	1.85	131,789	290.5
Micon 2010	May 25, 2010	0.34	Central & North East	Sulphide	6.5	1.97	127,804	281.7

Inferred Mineral Resources								
Estimate	Effective Date	Cut-off Cu (%)	Lode	Type	Tonnes (Mt)	Grade Cu (%)	Metal Cu (t)	Metal Cu (Mlb)
SRK 2011	May 6, 2011	0.34	North East	Sulphide	1.2	1.68	19,849	43.8
Micon 2010	May 25, 2010	0.34	North East	Sulphide	1.1	1.71	18,810	41.5

* Some figures may not sum exactly due to rounding. Mineral resources that are not mineral reserves have not demonstrated economic viability. The figures for the Karchiga Scoping Study are extracted as quoted in the Orsu's press release dated May 25, 2010.

Other

Two key issues to be investigated by SRK as part of the Karchiga Definitive Feasibility Study will be the use of high quality Chinese equipment in order to minimise the project capital costs and potential off-takers for the copper concentrate in both the People's Republic of China and the Republic of Kazakhstan. The Karchiga Project is favourably located approximately 220 km south east of the regional centre, Ust-Kamenogorsk, where Glencore International AG has commissioned its new smelter and approximately 40 km from the Chinese border to the east. The nearest copper mining operation in China at the Ashele VMS deposit, containing 1Mt of copper, is located approximately 85 km east-southeast from the Karchiga deposit.

The milestones for the Karchiga Definitive Feasibility Study are expected to be:

- Q2 2011 – finalisation of the metallurgical flow sheet (completed);
- Q2 2011 – updated NI 43-101 mineral resource, incorporating 2010 drilling results (completed);
- Q2 2011 – start of detailed mine design;
- Q3 2011 – completion of the locally commissioned Kazakh Feasibility Study and submission for approval;
- Q4 2011 – review of the Karchiga Project financing options;
- October 2011 – completion of the Karchiga Definitive Feasibility Study;
- Q1 2012 – approval of the Kazakh Feasibility Study;
- Q1 2012 – start of construction.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

TALAS COPPER-GOLD-MOLYBDENUM PROJECT, KYRGYZSTAN

Licence information

The Talas Project is the Company's material property in Kyrgyzstan, and includes the Taldybulak, Kentash, Barkol and Korgontash licences. The Talas Project is located in the Tien Shan gold belt, host to some of the world's largest gold-copper-molybdenum porphyries, such as Kalmakyr and Dalnee in nearby Uzbekistan. The Talas exploration area is located in the Western Kyrgyz Range on the north slope of the Talas Valley, at elevations of 1,800-3,000m. It is located in the Talas Oblast, north western Kyrgyzstan. The region includes copper and gold deposits such as Jerooy, Andash, and Aktash. The Talas Project is accessible year round via the Bishkek-Talas road (270km from Bishkek). A rail head is located 140km by road from the deposit and several 10 to 500kV power grid lines pass within 10km of the deposit.

Table 14 summarizes the tenure of the licences in the Talas Project held by Talas Copper Gold LLC ("TCG").

Table 14: Licences held by TGC

Licence No	Name of Licence	Licence Holder	Area (km ²)	Date Granted	Expiry Date	Extension Granted until
АП-1005	Barkol	TCG	209.5	16/03/2007	31/12/2010	31/12/2013
AP-24	Taldybulak	TCG	42	14/06/2005	31/12/2010	31/12/2015
АП-23	Kentash	TCG	46	14/06/2005	31/12/2009	31/12/2012
АП-61	Korgontash	TCG	66	02/09/2005	31/12/2009	31/12/2012

For the avoidance of doubt:

1. The Taldybulak gold-copper-molybdenum porphyry deposit within the Taldybulak exploration licence area is a separate asset from the Taldybulak Levoberezhny gold deposit previously owned by Central Asia Gold Limited.
2. TCG, the registered owner of the Talas Project, is a separate company from Talas Gold Mining Company, which was the owner of the Jerooy Gold Project.
3. Of the Barkol licence area of 209.5km², 2km² is covered by the Chonur licence which is not controlled by TCG.

The Taldybulak deposit is the main focus of exploration activity within the Taldybulak licence area that covers an area of 42km². The Kentash licence is situated immediately east of Taldybulak and covers an area of 46km². The Korgontash licence, which covers an area of 66km², is located approximately 25km east of Taldybulak. The Barkol licence is located immediately west of the Taldybulak licence and covers an area of 209.5km².

Table 15: Talas Project Licence Expenditure Obligations

Name of Licence	2010 \$000*	2011 \$000*	2012 \$000*	2013 \$000*	2014 \$000*	2015 \$000*
Barkol	255	164	245	81	N/A	N/A
Taldybulak	246	596	587	296	288	144
Kentash	29	22	14	N/A	N/A	N/A
Korgontash	60	55	9	N/A	N/A	N/A

*Licence obligations are stipulated in the local currency (Kyrgyz SOM); the values quoted above in USD have been derived using an exchange rate of 1USD=47 SOM.

The Company met all of its Talas Project licence expenditure obligations for the year ended December 31, 2010.

Joint Venture with Gold Fields

Pursuant to the joint venture agreement dated December 3, 2008, as amended on August 14, 2009, between the Company, Gold Fields, Lero, Kami Associates Limited (the "JV Company") and TCG (the "JV Agreement"), Gold Fields is the project operator for the Talas Project.

In January 2010, Gold Fields earned a 60% interest in the JV Company which is the direct holder of TCG, the registered owner of the Taldybulak, Barkol, Kentash and Korgontash licences, by funding exploration expenditure of CAD\$10 million on the Talas Project. The Company retained a 40% interest in the JV Company.

Under the terms of the JV Agreement, the Company and Gold Fields are required to fund on a pro-rata basis further project expenditures required to continue exploration activities, complete a feasibility study and complete the project development in accordance with programmes and budgets prepared by Gold Fields. Dilution provisions apply under the terms of the JV Agreement if either party decides not to contribute to expenditures in accordance with its pro-rata share.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Under the JV Agreement, following the completion of a bankable feasibility study relating to the Talas Project and if the board of directors of the JV Company so determines, Gold Fields is to act as the lead arranger to obtain any further project financing for development and mining operations, for which Gold Fields will receive a 1.5% arrangement fee.

TALDYBULAK LICENCE, KYRGYZSTAN

Licence information

In September 2006, Lero acquired 100% of the Taldybulak licence which hosts the Taldybulak gold-copper-molybdenum porphyry deposit. Taldybulak was discovered in 1976 from a regional geochemical survey and a subsequent trenching programme over gold-copper-silver-molybdenum anomalies which outlined an elliptical gold-copper mineralisation zone with dimensions of 1,200m by 700m. The anomalies were tested at depth where 10 out of 20 drill holes intersected gold-copper mineralisation. Two drill holes terminated in strong mineralisation at a depth of over 400m. Four holes were drilled to test additional targets, located 2km to 3km to the east of the prospect. No further work was conducted on the deposit until the late 1990's when British Commonwealth Minerals drilled 11 shallow reverse circulation holes near the centre of the deposit to test the oxide mineralization.

2010 Mineral Resource Estimates

In March 2010, WAI completed the Taldybulak Technical Report. A NI 43-101 compliant mineral resource estimate for Taldybulak was reported (see Table 16) in the Taldybulak Technical Report (entitled "Updated Report on the Taldybulak Property held by Orsu Metals Corporation, Kyrgyzstan", dated March 22, 2010 and prepared by J C Osmond and M L Owen), a copy of which is available under the Company's profile on SEDAR at www.sedar.com. The Indicated mineral resources reported at 0.3 g/t Au cut-off are 141Mt @ 0.66 g/t Au, 0.17% Cu and 0.01% Mo and Inferred mineral resources reported at 0.3 g/t Au cut-off are 153Mt @ 0.66 g/t Au, 0.15% Cu and 0.012% Mo. The "qualified persons" (as such term is defined in NI 43-101) responsible for these updated mineral resource estimates are M L Owen and J C Osmond (who are both employees of WAI and independent of Orsu).

Table 16: Taldybulak-Talas Gold-Copper-Molybdenum Porphyry Project, Mineral Resource Estimate (WAI) March 22, 2010

WAI Indicated Mineral Resources across all domains (WAI March 22, 2010)							
Cut Off (Au g/t)	Tonnes (Mt)	Au (g/t)	Contained Au (Moz)	Cu (%)	Contained Cu (Mlb)	Mo (ppm)	Contained Mo (Mlb)
0.0	446	0.31	4.45	0.15	1474	81	80
0.3	141	0.66	2.99	0.17	527	96	30

WAI Inferred Mineral Resources across all domains (WAI March 22, 2010) *							
Cut Off (Au g/t)	Tonnes (Mt)	Au (g/t)	Contained Au (Moz)	Cu (%)	Contained Cu (Mlb)	Mo (ppm)	Contained Mo (Mlb)
0.0	384	0.35	4.32	0.13	1100	99	84
0.3	153	0.66	3.24	0.15	506	120	40

**All inferred mineral resources are reported exclusively of indicated mineral resources. Mineral resources are shown at a 0.0 g/t Au cut-off for comparison purposes only, Orsu does not expect the mineral resources to be economically extractable at this cut-off grade. Mineral resources are shown at a 0.3 g/t Au as this is a possible economic cut-off grade for this deposit; although, economic and mining studies are required to determine the actual cut-off grade. Mineral resources are reported without mining constraints other than the cut-off grade, no pit shell, mine design, or minimum mining width has been used to restrict the reported mineral resources.*

All estimates are based upon a Kriged 20m by 20m by 10m block model which is constrained by geological and grade wireframes created in section from interpretation of all available drill hole and channel sampling data. A total of 36,988m of diamond drilling, 1,326m of reverse circulation drilling and 12,615m of surface trenching data was taken into consideration when constructing geological and grade boundaries, subsequently the surface trenching and reverse circulation drilling results were not utilised for the grade interpolation process. WAI carried out a full database verification and a geostatistical interpretation and modelling exercise during the model validation and audit.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The results of the above mineral resource estimation represent an increase, at 0.30g/t Au cut-off, in terms of contained Au ounces for the Indicated category of 1.38 Moz's or 86% increase, and in terms of contained Cu the increase was 226Mlb's or 57%.

On September 27, 2010, the Company announced that Gold Fields had reported the Taldybulak Mineral Resource (effective June 30, 2010) in its 2010 Annual Report in accordance with the SAMREC Code. The following information regarding the Taldybulak Mineral Resource is derived from Gold Fields' 2010 Annual Report.

The updated Taldybulak Mineral Resource (Table 17) consists of an indicated resource of 127 Mt, comprising 2.6 Moz gold at 0.64 g/t, 477 Mlb copper at 0.17%, and 29.4 Mlb molybdenum at 0.01%, and an inferred resource of 296 Mt, comprised of 3.71 Moz gold at 0.4 g/t, 1,098 Mlb copper at 0.17%, and 69.2 Mlb molybdenum at 0.01%. Orsu's attributable resource based on this constrained calculation is 51 Mt, comprising 1.04 Moz gold at 0.64 g/t, 191 Mlb copper at 0.17%, and 11.8 Mlb molybdenum at 0.01% in the indicated category and 118 Mt, comprising 1.48 Moz gold at 0.4 g/t, 439 Mlb copper at 0.17%, and 27.7 Mlb molybdenum at 0.01% in the inferred category.

Table 17: Taldybulak Mineral Resource according to SAMREC Code (effective June 30, 2010)

Confidence classification	Quantity (Mt)	Equivalent grade (AuEq g/t)	Equivalent metal (AuEq Moz)	Gold grade (g/t)	Gold metal (Moz)	Copper grade (%)	Copper metal (Mlb)	Molybdenum grade (%)	Molybdenum metal (Mlb)
<i>Mineral Resource total for deposit (100%)</i>									
Indicated	127	1.04	4.23	0.64	2.60	0.17	477	0.01	29.4
Inferred	296	0.79	7.48	0.40	3.71	0.17	1,098	0.01	69.2
<i>Mineral Resource attributable to Gold Fields (60%)</i>									
Indicated	76	1.04	2.54	0.64	1.56	0.17	286	0.01	17.6
Inferred	178	0.79	4.49	0.40	2.23	0.17	659	0.01	41.5
<i>Mineral Resource attributable to Orsu (40%)</i>									
Indicated	51	1.04	1.69	0.64	1.04	0.17	191	0.01	11.8
Inferred	118	0.79	2.99	0.40	1.48	0.17	439	0.01	27.7
Table notes:									
The Taldybulak Mineral Resource is constrained within an optimized open pit shell parameters including: mining, processing and administration cost estimates; mining parameters; and process recoveries for gold, copper and molybdenum.									
The Taldybulak Mineral Resource estimate is reported without dilution, ore loss or process recovery factors, assuming 100% metallurgical recoveries for all metals. Commodity prices used in the Taldybulak Mineral Resource are \$1,150/oz gold, \$3.00/lb copper and \$15.00/lb molybdenum. Gold equivalent is calculated using commodity price weightings for gold, copper and molybdenum. AuEq Moz = Au Moz + (\$3.00/lb * Cu Mlb + \$15.00 * Mo Mlb) / \$1,150									
Some figures may not sum exactly due to rounding.									

The Taldybulak Mineral Resource is based on exploration activities and geological and mineral resource modeling completed on the Taldybulak deposit. The Taldybulak Mineral Resource according to the SAMREC Code is based on the same methods as described in the Taldybulak Technical Report. The Taldybulak Mineral Resource according to the SAMREC Code is also based on reasonable prospects for eventual economic extraction of the mineral resource supported by a life-of-mine pit-shell based on mining and mineral processing assumptions.

The dataset used in the Taldybulak Mineral Resource is identical to the database used in the mineral resource estimate contained in the Taldybulak Technical Report. The Taldybulak Mineral Resource according to the SAMREC Code is reported using an optimised pit shell while the mineral resource estimated in the Taldybulak Technical Report is reported at a 0.3 g/t gold cut-off grade without any pit shell constraint. As a result, the mineral resource estimate in the Taldybulak Technical Report does not include substantial mineral resources with low gold grade (less than 0.3 g/t gold) but having elevated copper grade. Table 18 is included for comparison purposes and shows the effect of including the mineralised material outside the 0.3 g/t gold cut-off grade shell to produce the open pit constrained SAMREC Code mineral resource.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Table 18: Comparison of SAMREC Code and NI 43-101 mineral resources for Taldybulak.

Mineral Code	Confidence classification	Quantity (Mt)	Gold grade (g/t)	Gold metal (Moz)	Copper grade (%)	Copper metal (Mlb)	Molybdenum grade (%)	Molybdenum metal (Mlb)
NI 43-101	Indicated	141	0.66	2.99	0.17	527	0.01	30
	Inferred	153	0.66	3.24	0.15	506	0.01	40
SAMREC Code	Indicated	127	0.64	2.6	0.17	477	0.01	29.4
	Inferred	296	0.4	3.71	0.17	1,098	0.01	69.2

Table notes:
 NI 43-101 mineral resource figures are from the Company's March 22, 2010 press release, reported within the 0.3 g/t gold shell. Molybdenum grades have been converted to percentage units from parts per million.
 The SAMREC Code figures are reported inclusive both inside and outside the 0.3 g/t gold shell, constrained by 0.1% Cu and open pit shells.

Aside from minor technical differences in the approach to estimation and confidence classification, the major difference between the NI 43-101 and SAMREC Code mineral resource disclosure is the inclusion of substantial copper mineral resources outside of a 0.3 g/t gold shell.

2010 Taldybulak Scoping Study

In November 2010, Orsu announced the positive results of the Taldybulak Scoping Study prepared by Coffey Mining in accordance with the SAMREC Code based on the Taldybulak Mineral Resource. Orsu subsequently engaged WAI to convert the results of the Taldybulak Scoping Study to NI 43-101 standards and, as a result, WAI completed the NI 43-101 Taldybulak Scoping Study Report entitled "Updated Technical Report on the Taldybulak Property held by Orsu Metals Corporation, Kryrgyzstan" dated December 24, 2010 and prepared by J C Osmond and M L Owen (each of whom is a "qualified person" under NI 43-101 and independent of Orsu), a copy of which can be viewed under the Company's profile on SEDAR at www.sedar.com.

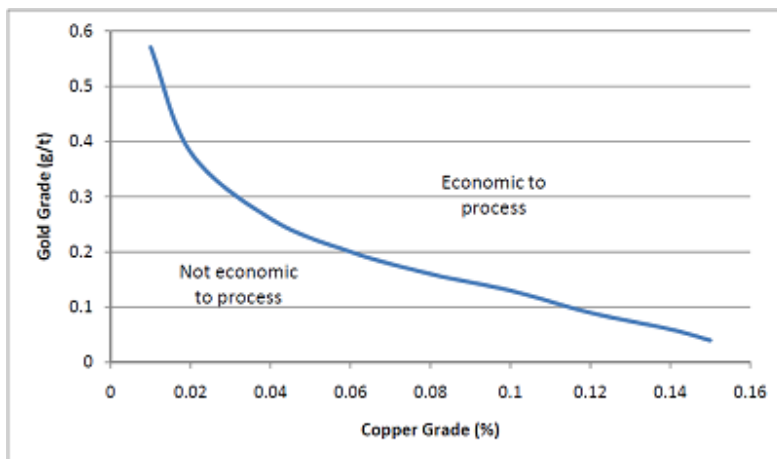
The Taldybulak Mineral Resource was calculated using metal prices of \$1,150/oz Au and \$3.00/lb Cu and \$15/lb Mo ("Resource Price Case"). Although the actual pit-constrained Taldybulak Mineral Resource is 127Mt of ore in the indicated category and 296 Mt of ore in the inferred category, the Taldybulak Scoping Study is based on a re-modeling of the open pit using metal prices of \$1,000/oz Au, \$2.49/lb Cu, and \$15/lb Mo (the "Base Price Case").

Preliminary metallurgical test work (as reported by Orsu in its press release dated July 21, 2010) indicated that the recovery of gold, copper and molybdenum should be possible using a conventional comminution and flotation process. Based on metallurgical test work results, a conceptual process flow sheet has been developed consisting of crushing, grinding and bulk flotation to produce a gold-copper-molybdenum concentrate. The concentrate would then undergo a further flotation stage to produce both a copper-gold concentrate and a molybdenum concentrate. In this scenario, some copper must be present in order to recover any other elements; therefore, any Standard Mining Unit ("SMU") containing some gold but zero copper would not be profitable to treat. Due to the polymetallic nature of the Taldybulak ores, material that is profitable to treat is not simply based on a single element cut-off grade. Due to the minor contribution from molybdenum, an average molybdenum grade of 0.011% molybdenum is assumed. The copper grade that is economic to treat excluding gold credits is approximately 0.16% Cu.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Taldybulak economic cut-off grades based on molybdenum grade of 0.011% and metal prices of \$1,150/oz gold, \$3.00/lb copper and \$15.00 molybdenum:



In addition to production of copper-gold and molybdenum concentrates, gravity gold recovery is 15%, which warrants a gravity separation circuit prior to bulk flotation for any coarse gold that may be present to produce Dore bars on site.

Evaluation of the potential to treat oxide material from the deposit is being investigated. However at this time no value has been attributed to the oxides. Transition material has been incorporated into the mining schedule with reduced recoveries based on test work conducted in 2008.

Mining and processing parameters and the Base Price Case, as long term commodity price assumptions, were used to select a maximum discounted (7.5%) cash flow open pit shell. Key design criteria have been established for a 15 Mtpa processing plant facility (Table 19). The key design criteria assumptions and proposed metallurgical performance are generally based on the processing of sulphide ore, except where transition ore characteristics are known.

Both indicated and inferred mineral resources have been used for mining and processing optimisation in the Taldybulak Scoping Study; no mineral reserves have been estimated or reported for Taldybulak. An open pit mining scenario based on 20mEastx20mNorthx10m vertical SMU with a processing rate of 15 Mtpa of ore has been assumed.

The Taldybulak Scoping Study establishes key design criteria for an open pit mine scenario with a 15 million tonnes per annum ("Mtpa") processing facility for average annual recovery of 242,000 oz gold and 137,600 dry metric tonnes ("dmt") of copper concentrate and 1,880 dmt of molybdenum concentrate via conventional comminution and flotation process flow sheets at estimated initial capital expenditures of approximately \$516 million.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Table 19: Key Design Criteria Summary

Parameter	Unit	Criteria
Annual throughput	Mtpa	15.0
Crushing plant availability	%	70
Crushing plant operation	hrs/day and days/week	17 and 7
Processing plant availability	%	92
Processing plant operation	hrs/day and days/week	24 and 7
P80 grind size	µm	75
Ore feed grade	g/t Au	0.60
	% Cu	0.20
	% Mo	0.01
Metal recovery	% Au*	81.4
	% Cu	88.0
	% Mo	53.2
Gravity gold recovery	% Au	15
Annual concentrate production	dmt Cu concentrate	137,600
	dmt Mo concentrate	1,880
Annual gold production	oz Au	242,000
Table notes:		
* Inclusive of gravity gold recovery.		
This table represents design criteria for the process design work. Actual figures for metallurgical recovery will depend on head grade.		

The average annual production from Taldybulak is estimated to be 242,000 oz gold, 26,000 tonnes of copper and 900 tonnes of molybdenum. The initial CAPEX is estimated at \$516 million. At the Resource Price Case the pre-tax NPV, discounted at 7.5%, is estimated to be approximately \$815 million; with 24.7% pre-tax IRR. The LOM is estimated to be 17 years, with 6 years payback period from start of construction based on the Resource Price Case.

Table 20 shows a price sensitivity analysis of four alternative metal price scenarios for open-pit mining at Taldybulak, using 113.0 Mt of ore in the indicated category, grading 0.68g/t Au, 0.18% Cu and 0.01% Mo, and 139.7 Mt of ore in the inferred category, grading 0.41g/t Au, 0.18% Cu and 0.01% Mo, optimised to an open pit defined by the Base Price Case. Consequently, the change in metal prices incorporated in the sensitivity to the cash flow does not fully reflect the impact the change in metal prices would have on the project as the optimised pit shell was not adjusted. Preliminary indications are that the project economics would be enhanced with a larger pit; however, this was a high-level evaluation and plant throughput, tailings storage, capital cost and unit operating costs were not optimised and updated to account for the increase in tonnage.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Table 20: Sensitivity Analysis Results

Parameter	Unit	Base Price Case	3-Year Average Price Case*	Resource Price Case	Spot Price Case*
Gold price	US\$/oz	1,000	976	1,150	1,319
Copper price	US\$/lb	2.49	2.92	3.00	3.67
Molybdenum price	US\$/lb	15.00	20.46	15.00	14.95
Average annual throughput	Mtpa	15	15	15	15
Waste : Ore Ratio		1.29	1.29	1.29	1.29
Gold grade	g/t Au	0.52	0.52	0.52	0.52
Gold metal recovered	Moz Au	3.401	3.401	3.401	3.401
Copper grade	%	0.18	0.18	0.18	0.18
Copper metal recovered	kt Cu	391	391	391	391
Molybdenum grade	%	0.011	0.011	0.011	0.011
Molybdenum metal recovered	kt Mo	13.9	13.9	13.9	13.9
Gold grade equivalent	g/t Au	0.95	1.05	0.94	0.95
Average annual production	koz Au	242	242	242	242
	kt Cu	26.2	26.2	26.2	26.2
	t Mo	900	900	900	900
	koz Au equivalent	353	389	356	361
LOM recoverable ounces	Moz Au equivalent	6.01	6.62	6.05	6.14
Average cash cost	US\$/oz Au equivalent	445	404	443	436
Total cash costs	US\$/oz Au equivalent	621	571	624	622
Initial Capex	US\$ M	516	516	516	516
Ongoing Capex	US\$ M	275.2	275.2	275.2	275.2
Years of production	Years	17	17	17	17
0% pre-tax NPV	US\$ M	1,257.7	1,647.8	2,125.8	3,181.1
7.5% pre-tax NPV (base case)	US\$ M	384.4	571.8	814.7	1,337.3
Pre-tax IRR	%	16.3	20.1	24.7	34.1
Payback period (from start of 2-year-long construction)	Years	9	8	6	5

Table notes:

The cashflow model accounts for royalties, but does not account for taxes.

Some figures may not sum exactly due to rounding.

* 3 year average price and spot price from Bloomberg Data as of 1st October 2010

Gold equivalent is calculated for each case separately using commodity price weightings for gold, copper and molybdenum in this Table. 'koz Au equivalent' = 'koz Au' + ('Copper price US\$/lb' * 'ktCu' * 2,200 + 'Molybdenum price US\$/lb' * 'tMo' * 2,200) / 'Gold price US\$/oz'; 'Moz Au equivalent' = 'Gold metal recovered Moz Au' + ('Copper price US\$/lb' * 'Copper metal recovered ktCu' * 2,200 + 'Molybdenum price US\$/lb' * 'Molybdenum metal recovered ktMo' * 2,200) / 'Gold price US\$/oz'

The Taldybulak Scoping Study and the NI 43-101 Taldybulak Scoping Study Report are preliminary estimates of the technical and economic viability of Taldybulak and do not contemplate the full spectrum of engineering, economic and regulatory factors, which would be required prior to making a production decision. Estimates provided in the Taldybulak Scoping Study and the NI 43-101 Taldybulak Scoping Study Report are subject to change as additional work is completed on the project.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The Taldybulak Scoping Study and the NI 43-101 Taldybulak Scoping Study Report are preliminary in nature, and include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions in the Taldybulak Scoping Study and the NI 43-101 Taldybulak Scoping Study Report will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Exploration Programme

For the Talas Project, Orsu and Gold Fields approved a 2010 exploration programme and expenditure budget of \$2.45 million. As per the terms of the JV Agreement, the Company funded its 40% pro rata share of approximately \$979,000. The majority of the licence expenditures are incurred in connection with environmental, social, metallurgical and resource studies, as well as ground magnetic survey at the Taldybulak licence.

In January 2011, the Kyrgyz Government reviewed all exploration licences in the country to improve transparency and accountability in natural resource exploration, which led to a temporary suspension of all exploration activities in the country. The Ministry of Natural Resources of the Kyrgyz Republic reviewed the Talas Project on 24 April 2011 and recognised that TCG had fully complied with all licence requirements. It also approved the TCG's request for a three month suspension of the 2011 exploration requirements to allow TCG time to win support from the local communities for the Talas Joint Venture's long term exploration goals.

In May 2011, Gold Fields and Orsu completed an internal geological and technical review of the Talas Project, which identified and prioritized several new exploration targets in the immediate vicinity of the deposit (falling within a three kilometre radius as well as at deeper levels of the deposit itself). The Company believes that the testing of these targets could potentially further enlarge the mineral endowment of the Taldybulak mineral resources and that there could be further improvements in metal grades via in-fill drilling of the existing resources at the Taldybulak deposit.

For 2011, Gold Fields, the operator for the Talas Project, is planning an infill drilling in the western area of the Taldybulak deposit with 6,000m of HQ size diamond drilling. The objective of the proposed infill programme is to better delineate the known extents on the mineralisation and to gain a more detailed understanding of the spatial variability of the Au and Cu grades by closing the overall spacing of the drill holes down to 40m by 40m in one part of the Taldybulak deposit. The 2011 exploration programme will also cover further metallurgical test work and a detailed geotechnical study of the hanging wall and footwall rock material immediately adjacent to the deposit, as well as more detailed investigation of the tailings facilities, environmental monitoring and other related studies.

Upon completion of the 6,000m drilling programme, the Company expects to update the mineral resource estimates for Taldybulak. These works are expected to form a foundation for the decision to proceed with the prefeasibility study for the Taldybulak deposit.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

AKDJOL-TOKHTAZAN PROJECT, KYRGYZSTAN

Licence Information

The Akdjol-Tokhtazan Project contains the Akdjol (108km²) and Tokhtazan (4km²) exploration licences, both of which are held by Oriol in Kyrgyzstan LLC, in which the Company holds a 100% interest. In April 2010, the Akdjol and Tokhtazan licences were extended by the Ministry of Natural Resources of the Kyrgyz Republic until December 31, 2012. Access to the project is via the main Bishkek-Osh bitumen road for 400 km, then 14km on a gravel road.

The expenditure obligations on the Tokhtazan and Akdjol licences are shown below:

Table 21: Tokhtazan and Akdjol licence obligations (2010-2012)

Year	Tokhtazan Licence Obligations	Akdjol Licence Obligations
2010	\$212,000	\$106,000
2011	\$160,000	\$151,000
2012	\$142,000	\$142,000

**Licence obligations are stipulated in the local currency (Kyrgyz SOM); the values quoted above in USD have been derived using an exchange rate of 1USD=47 SOM.*

The Company met all of its Tokhtazan and Akdjol licence expenditure obligations for the year ended December 31, 2010.

2010 Exploration Programme

During 2009 and 2010 the Company's scout exploration activity on the Akdjol Prospect included grab samples, 14 trenches, and eleven diamond drill holes at the Akdjol Prospect. Located some 3 km northwest from the Tokhtazan Prospect, the initial field assessment of the Akdjol Prospect by Orsu in 2009 indicated that its mineralization consists of mineralized banded quartz veins. Grab samples collected by Orsu in 2009 returned assays ranging between 1g/t and 119 g/t Au, with high silver grades (ranging between 7.7 g/t and 500 g/t Ag). The Company proceeded to review the existing geological model of the entire Akdjol-Tokhtazan Project that interpreted the previously mapped Early Permian granite porphyry bodies intruded into both the Silurian metamorphic basement and the overlying Carboniferous clastic sequence to host, and to be a source of, intrusion-related gold mineralization. The revision showed that the intrusives constitute numerous sills with classic porphyry textures and may be interpreted as sub volcanic bodies of the deeply eroded Early Permian volcanic edifice. This recognition as well as occurrence of the mineralized veins in the Carboniferous sedimentary rocks, with some typical morphological and mineralogical characteristics of the veins, suggests the reinterpretation of the Akdjol Prospect as an epithermal gold-silver system rather than an intrusion-related gold system, as proposed in historical reports.

In 2009, the Company completed 784m of trenching in 14 trenches at the Akdjol Prospect. Trenching indicated that the quartz veins at the Akdjol Prospect extend for 700m in a north-northwest direction at a width varying from 1m to 9.3m. The veins are 6m to 10m thick, but they are enveloped by an alteration halo with disseminated pyrite mineralization, pinching and swelling depending on the hosting lithologies. Both the veins and the envelope are mineralized, revealing up to 36m of mineralized intercepts above 0.5 g/t Au cut-off.

The dipole-dipole induced polarization survey ("DD-IP") conducted by Orsu identified a chargeability anomaly encompassing the entire 700m length of the exposed veins. The geophysical anomaly extends for an additional 1,000m south, where it is mostly covered by overburden alluvial material over its entire length, but historical Soviet trenches revealed mineralized intercepts some 1000m south of the Akdjol Prospect. The mapping of the exposed part in trenches recognized the higher grade Main Stockwork zone, which is accompanied by a lower grade stratabound Conglomerate zone, located some 40m to 50m in the hanging wall of the Main Stockwork zone to the west, and several veins joining these two main zones (the Diagonal zone). Table 22 shows the assay results for the Orsu trenching programme.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Table 22: Significant Mineral Intersections from Akdjol Prospect Trenching Works (0.5 g/t Au cut-off)

Trench ID	Orezone	From (m)	To (m)	Intercept (m)	Au g/t	Ag g/t
AKTR09-01	Diagonal	8	10	2	14.03	66.1
	Main Stockwork	31	55	24	1.7	14.2
<i>Incl</i>	Main Stockwork	46	53	7	4.09	33.4
AKTR09-02	Diagonal	25	34	9	1.44	12.6
	Diagonal	58	61	3	1.51	23.6
	Main Stockwork	67	68	1	5.37	82.5
	Main Stockwork	78	80	2	1.12	14.9
AKTR09-03	Conglomerate	12	19	7	1.52	51.6
	Diagonal	53	55	2	1.02	15.9
	Main Stockwork	60	96	36	2.1	23.9
<i>Incl</i>	Main Stockwork	63	73	10	3.58	29.7
AKTR09-07	Main Stockwork	7	10	3	5.09	71.0
	Main Stockwork	15	15.5	0.5	0.87	30.8
	Main Stockwork	17	20	3	4.68	36.2
	Main Stockwork	23	28	5	1.63	72.7
AKTR09-04	Conglomerate	41	42	1	1.1	19.9
	Main Stockwork	81	86	5	1.21	13.3
	Main Stockwork	104	107	3	3.32	52.4
AKTR09-08	Conglomerate	46	51	5	0.54	13.3
	Main Stockwork	68	71.5	3.5	7.55	42.97
	Main Stockwork	78	79	1	1.93	10.7
AKTR09-09	Main Stockwork	3	5	2	2.85	32.0
AKTR09-05	Conglomerate	22	23.5	1.5	0.92	3.4
	Main Stockwork	26.7	36	9.3	6.33	58.3
AKTR09-06	Main Stockwork	6	12	6	2.8	23.75
AKTR09-14	Main Stockwork	0	6	6	0.95	7.9
AKTR09-12	Main Stockwork	1	5	4	6.15	25.75
	Main Stockwork	41	48	7	3.15	23.8

The trenched sample widths are considered to be a combination of horizontal and oblique width of the outcropping mineralization, representing 75% to 100% of the true width.

To test the true thickness and the style of mineralization down dip, the Company completed 1,515m of drilling with 11 diamond drill holes in 2010. Table 23 shows assay results for mineralized drill intercepts in the central part of the Akdjol Prospect. Hole AKDD10-04, drilled in the central part of the mineralized system, returned so far the best vertical intercept of 14.2m @ 5.32 g/t Au and 59.51 g/t Ag from 150.6 to 164.8m, including 6.7m @ 8.69 g/t Au and 86.96 g/t Ag from 151.7m to 158.4 m. Taking into account the surface intercept of 9.3m in the trench AKTR09-05 as well as the intercepts in drill hole AKDD10-02 and Soviet adit, occurring in the same cross-section, this drill result confirmed the downdip continuation of the Main Stockwork veins at the Akdjol Prospect for 220m (previously 110m).

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Table 23: Significant Mineral Intersections (0.5g/t Au cut-off) within the Akdjol Prospect

ID	Total depth (m)	Comment	Orezone	From (m)	To (m)	Length (m)	Au g/t	Ag g/t
AKDD10-04	205	Vertical hole	Main Stockwork	145.5	147	1.5	0.53	25.3
			Main Stockwork	150.6	164.8	14.2	5.32	59.51
<i>incl</i>			Main Stockwork	151.7	158.4	6.7	8.69	86.96
AKDD10-02	82	Angled hole – 55 degrees; Hole stopped in the Soviet adit	Main Stockwork	79.1	82	2.9	4.07	110.39
AKDD10-03	189	Vertical hole	Main Stockwork	158.0	168.2	11.2	2.40	30.56
<i>incl</i>			Main Stockwork	<i>165.0</i>	<i>168.2</i>	3.2	<i>5.44</i>	<i>40.87</i>
AKDD10-05	120	Angled hole – 60 degrees	Main Stockwork	101.0	103.4	2.4	3.5	26.58
<i>and</i>		Angled hole – 60 degrees	Main Stockwork	108.1	110.2	2.1	1.61	23.32

Estimated true widths vary from 65% to 100% of drilled width in vertical and angled holes, respectively.

As part of the 2010 exploration programme, Orsu completed 42.35 km of DD-IP and 66.075 km of ground magnetics at Akdjol and adjacent prospects. At Tokhtazan, ground magnetics covered 37.5 km. In early 2011, the Company completed a mineralogical study of the samples collected from the drill core of the AKDD10-04 hole drilled in 2010. The study revealed that the mineral assemblages consist chiefly of quartz-carbonate-chlorite-sericite (\pm sulphides and minor feldspar). The sulphide assemblage consists chiefly of fine granular pyrite, sphalerite and galena, with minerals of the tetrahedrite-tennantite group (expected to be argentian tetrahedrite). In the polished section in reflected polarised light, pale gold-coloured inclusions of native metal were detected within pyrite grains and also in the interstices and along the grain boundaries of galena and tetrahedrite. The pale yellow colour of grains suggest that the native metal is electrum (silver-rich gold), forming <10 microns to 25-100 microns grains. This result suggests that gold should be metallurgically accessible. The Company is currently formulating its 2011 exploration programme for the Akdjol-Tokhtazan Project, but it is expected that the analysis of the results from the 2010 drilling programme and their integration with the results of the geophysical survey will form the basis for the 2011 exploration programme.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

RESULTS OF OPERATIONS (SELECTED QUARTERLY INFORMATION)

SUMMARY OF THE QUARTERLY RESULTS FOR 2011 and 2010

(Prepared in accordance with IFRS)

Expressed in US\$000s except where indicated	March 31 2011 (unaudited)	December 31 2010 (unaudited)	September 30 2010 (unaudited)	June 30 2010 (unaudited)	March 31 2010 (unaudited)
Net income/ (loss) from continuing operations	1,388	(1,904)	(5,040)	(1,623)	8,605
Deferred consideration income (note 1)	-	5,092	-	-	-
Net income / (loss) and comprehensive income/ (loss) for the period	1,388	3,188	(5,040)	(1,623)	8,605
Net income/ (losses) attributable to:					
Shareholders of the Company (note 1)	1,581	3,610	(4,817)	(1,542)	8,652
Non-controlling interest	(193)	(422)	(223)	(81)	(47)
	1,388	3,188	(5,040)	(1,623)	8,605
Earnings/ (loss) per share (in US\$/share)					
Basic	\$0.01	\$0.02	\$(0.03)	\$(0.01)	\$0.19
Diluted	\$0.01	\$0.02	-	-	\$0.19
Weighted average number of common shares (in thousands)	157,696	157,696	157,696	157,696	45,696

Note 1: Net income attributable to the shareholders of the Company includes all deferred consideration income.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

SUMMARY OF THE QUARTERLY RESULTS FOR 2009
(Prepared in accordance with Canadian GAAP) (see note1)

Expressed in US\$000s except where indicated	December 31 2009 (unaudited)	September 30 2009 (unaudited)	June 30 2009 (unaudited)	March 31 2009 (unaudited)
Loss from continuing operations	(1,871)	(2,661)	(3,050)	(3,030)
(Loss)/ profit from discontinued operations	(10,584)	(21,076)	5,755	(25,255)
Net gain on disposal of discontinued operations	160,812	-	-	-
Income/ (loss) and comprehensive income/ (loss) for the period	148,357	(23,737)	2,705	(28,285)
Sales revenues (included within results of discontinued operations)	6,867	22,632	32,495	9,796
(Loss)/ income per common share (in US\$/share) (note 2)				
Loss per common share from continuing operations	\$(0.04)	\$(0.06)	\$(0.07)	\$(0.07)
Income/ (loss) per common share (including discontinued operations)	\$3.25	\$(0.52)	\$0.06	\$(0.62)
Weighted average number of common shares – basic and diluted (in thousands)	45,696	45,696	45,696	45,696

Note 1: Information for 2009 is presented in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) and is not required to be restated to IFRS.

Note 2: Per share information has been retroactively restated to give effect to the 10 for 1 share consolidation which occurred in November, 2009.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

FINANCIAL REVIEW

For the three months ended March 31, 2011, prepared in accordance with IFRS, the Company recorded net income of \$1.4 million compared to net income of \$8.6 million for the three months ended March 31, 2010 (restated from a net loss of \$1.6 million under Canadian GAAP).

In January 2011, the Company received \$1.5 million of deferred consideration relating to the Varvarinskoye Project in relation to earnings for 2010 (see "Derivative Financial Instruments - Deferred Consideration" for further information).

In April 2011, the Company completed the acquisition of the remaining 26.1% interest in Eildon for cash consideration of \$6,187,500, following which the Company owns a 94.75% interest in the Karchiga Project. This transaction has not been reflected in the financial statements as at March 31, 2011.

As at March 31, 2011 the Company had net assets of \$41.9 million (\$40.4 million as at December 31, 2010) of which \$19.4 million was cash and cash equivalents (\$19.6 million as at December 31, 2010).

CONVERSION TO IFRS FROM CANADIAN GAAP

Effective January 1, 2011, the Canadian Accounting Standards Board required all publicly listed companies to prepare their financial statements in accordance with IFRS. The financial statements for the period ended March 31, 2011 are the first set of financial statements the Company has prepared under IFRS. As part of the transition to IFRS the Company also prepared re-stated consolidated balance sheets as at January 1, 2010, March 31, 2010 and December 31, 2010 along with re-stated consolidated statements of net income and comprehensive income for the three months ended March 31, 2010 and the year ended December 31, 2010.

During 2010 the Company implemented a plan for the conversion from Canadian GAAP to IFRS and has now completed the scoping and planning, detailed assessment and operations implementation phases. The post implementation review phase is ongoing.

The Company's financial statements as at March 31, 2011 set out in detail how the transition from Canadian GAAP to IFRS has affected its consolidated balance sheet, statement of net income and comprehensive income, consolidated statement of changes in equity and consolidated cash flows.

Impact on the consolidated balance sheet and equity

The following table summarises the impact of conversion to IFRS on the Company's consolidated equity, as previously reported under Canadian GAAP for the three months ended March 31, 2010 and the year ended December 31, 2010:

	March 31 2010 \$000	December 31 2010 \$000
Equity as previously reported under Canadian GAAP as at January 1, 2010	24,833	24,833
Reclassification of share purchase warrants to derivative liabilities (note a)	(42,041)	(42,041)
Expense of share issue costs prior to January 1, 2009 (note b)	(4,598)	(4,598)
Re-measurement of fair value of derivative warrant liabilities (note c)	35,411	35,411
Re-stated Equity under IFRS as a January 1, 2010	13,605	13,605
Share issue (net of share issue and broker warrant issue costs)	-	18,705
Share purchase warrants issued	-	1,131
Share based payments	105	1,817
Net loss as previously reported under Canadian GAAP for the period	(1,611)	(4,622)
Re-measurement of fair value of derivative warrant liabilities in period (note c)	10,216	11,184
Expense of share issue costs from 2010 (note d)	-	(793)
Reversal of future income tax adjustments (note e)	-	(639)
Equity under IFRS	22,315	40,388

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Impact of significant accounting policy changes on transition to IFRS

- a) The Company has listed share purchase warrants outstanding that are exercisable in Canadian dollars. As the functional reporting currency of the Company is United States dollars, share purchase warrants with an exercise price in a different currency are considered a derivative instrument under IFRS (IAS 32). Previously under Canadian GAAP all share purchase warrants, net of issue costs, were considered to be equity instruments. On transition from Canadian GAAP to IFRS the Company re-classified \$42 million, net of issue costs of \$4.6 million, from equity to derivative liabilities as at January 1, 2010;
- b) During 2005 and 2006 the Company incurred warrant issue costs in relation to public offerings for units in the Company totalling \$4.6 million. Under Canadian GAAP these issues costs were capitalised to equity. Following the above mentioned re-classification of share purchase warrants from equity to derivative liabilities under IFRS these issues costs are required to be expensed and hence the Company has recorded an adjustment to retained earnings of \$4.6 million as at January 1, 2010;
- c) Following the re-classification of share purchase warrants to derivative liabilities as at January 1, 2010 (as mentioned in note a) above, under IFRS the Company is required to re-measure the fair value of these as at each reporting date and any adjustments recorded against retained earnings. As a result the Company recorded an adjustment of \$35.4 million to retained earnings as at January 1, 2010. In subsequent comparative periods the Company re-measured the fair value of its derivative warrant liabilities outstanding as at March 31, 2010 and as at December 31, 2010 and recorded adjustments of \$10.2 million and \$11.2 million respectively;
- d) In April 2010, the Company completed the "Offering" pursuant to which it issued 56 million share purchase warrants and incurred associated issue costs of \$0.7 million which, under Canadian GAAP, had been capitalised. Under IFRS these issue costs are required to be expensed and the Company recorded an adjustment of \$0.7 million against retained earnings as at December 31, 2010;
- e) Under Canadian GAAP the Company re-measured the deferred tax liabilities on its mineral properties for changes in exchange rate and recorded a foreign exchange gain of \$0.6 million for the year ended December 31, 2010. Under IFRS, IAS 12 prohibits the recognition of any deferred tax for the acquisition of assets that do not constitute a business combination. Accordingly, on transition to IFRS, the Company reversed this adjustment between net income and deferred tax liabilities on the balance sheet as at December 31, 2010.

Impact on consolidated statement of net income and comprehensive income

The IFRS policies mentioned above impacted the net operating results of the Company for the following periods:

- For the three months to March 31, 2010 the Company had previously under Canadian GAAP reported a net loss of \$1.6 million. Under IFRS the Company has now reported net income for the three months to March 31, 2010 of \$8.6 million;
- For the year ended December 31, 2010 the Company had previously under Canadian GAAP reported a net loss of \$4.6 million. Under IFRS the Company has now reported net income for the year ended December 31, 2010 of \$5.1 million.

Further details of the above changes can be found in the Company's financial statements for the period ended March 31, 2011 (section "5. Transition of IFRS").

Impact to statement of consolidated cash flows

Upon transition to IFRS, no reclassifications or adjustments were required to the statements of cash flows.

See also "Accounting Policy Developments" below.

POST IMPLEMENTATION AND ONGOING REVIEW

Post IFRS implementation, the Company is evaluating and addressing the impact of the transition to IFRS on its internal control processes, information technology controls, tax and other areas.

Internal control processes

The Company has identified and documented all relevant changes to its accounting policies. The effectiveness of internal controls over the Company's financial reporting and the Company's disclosure controls are being assessed and, where necessary, appropriate changes will be implemented.

Business activities

The Company has determined that there was no impact of the transition to IFRS on its business activities.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Information technology and systems

The IFRS transition project did not have a significant impact on the Company's information systems for the convergence periods and the Company does not expect any future impact post convergence.

RESULTS FOR THE QUARTERS ENDED MARCH 31, 2011 AND MARCH 31, 2010

The net income for the three months ended March 31, 2011 from continuing operations is \$1.4 million compared to net income of \$8.6 million for the three months ended March 31, 2010 (restated from a net loss of \$1.6 million under Canadian GAAP).

The net income of \$1.4 million consisted of unrealized derivative gains of \$3.3 million (compared to gains of \$10.2 million for the three months ended March 31, 2010) and net foreign exchange gains of \$0.1 million (compared with net foreign exchange losses of \$0.1 million for the three months ended March 31, 2010), partially offset by administrative costs of \$0.8 million (compared with \$0.7 million for the three months ended March 31, 2010), legal and professional expenses of \$0.3 million (compared to \$0.3 million for the three months ended March 31, 2010), exploration costs of \$0.5 million (compared with \$0.2 million for the three months ended March 31, 2010), a stock-based compensation charge of \$0.1 million (compared with a charge of \$0.1 million for the three months ended March 31, 2010) and the Company's share of the Talas Joint Venture losses of \$0.3 million (compared to \$0.2 million for the three months ended March 31, 2010).

Under IFRS the Company's listed share purchase warrants are considered to be derivative instruments. They are initially measured at their fair value at the date of issue and subsequently as at each reporting period the fair value of these share purchase warrants are re-measured and any adjustment recorded against net income. As the expected remaining life of these share purchase warrants will always be reduced, compared to the date of issue, the Company expects a net gain to be recorded to the income statement. For the three months to March 31, 2011 the company re-measured the fair value of 56 million warrants with a remaining expected life of greater than one year and recorded an unrealised gain of \$3.3 million. For the three months to March 31, 2010 the Company recorded an unrealized gain of \$10.2 million, which consisted of the re-measurement of the fair value of 40.5 million warrants with a remaining expected life of less than one year.

The Company's administrative costs and legal and professional expenses were broadly in line year on year.

Exploration costs increased by \$0.3 million year on year due to the continued funding of work relating to the Karchiga Definitive Feasibility Study expected to be completed in October 2011.

For the three months ended March 31, 2011 the Company expensed \$0.3 million relating to its 40% pro-rata share of the Talas Joint Venture operating losses compared to \$0.2 million for the three months ended March 31, 2010.

In respect of the Company's cash flows, the decrease in cash and cash equivalents for the three months to March 31, 2011 was \$0.2 million compared to a decrease of \$1.3 million for the three months to March 31, 2010. The decrease of \$0.2 million for the three months to March 31, 2011 was due primarily to exploration expenditure of \$0.5 million, corporate expenditure of \$1.3 million and Orsu's pro-rata funding for the Talas Project of \$0.2 million, partially offset by deferred consideration received of \$1.5 million and royalty income in respect of the Company's investment in the Tasbulat Oil Corporation of \$0.3 million.

For the three months ended March 31, 2010 cash and cash equivalents decreased by \$1.3 million due to administration and exploration expenditure of \$1.5 million partially offset by royalty income in respect of the Company's investment in the Tasbulat Oil Corporation of \$0.2 million.

COMPARISON OF QUARTERLY RESULTS FOR THE YEARS 2010 AND 2009

For 2010 the Company recorded IFRS adjusted quarterly net income, on continuing operations, of \$8.6 million for quarter one and IFRS adjusted net losses of \$1.6 million, \$5.0 million and \$1.9 million for quarters two, three and four respectively. This was compared to 2009 Canadian GAAP net losses on continuing operations of \$3.0 million, \$3.1 million, \$2.7 million and \$1.9 million for the first, second, third and fourth quarters respectively.

The Company recorded an IFRS adjusted net income for quarter one of 2010 of \$8.6 million compared to a Canadian GAAP net loss for quarter one 2009 of \$3.0 million due to the re-measurement of its derivative warrant liabilities under IFRS (see "Financial Review" - "Conversion to IFRS from Canadian GAAP" above).

With the exception of the third quarter of 2010, the IFRS adjusted 2010 quarterly net losses for continuing operations have been lower compared to the quarterly losses for 2009 due to lower staff costs, administrative costs and share based compensation charges partially offset by higher exploration expenditures. The Company reduced non operational headcount during the fourth quarter of 2009 by approximately 60% in the London office and 90% in its overseas representative offices, as well as reduced the salaries of senior management. Legal and professional fees

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

were also lower during the fourth quarter of 2010 compared to 2009, due to the completion of the refinancing negotiations relating to the Varvarinskoye Project and the completion of the sale of the Varvarinskoye Project on October 30, 2009. The loss for the three months to September 30, 2010 of \$5.0 million (IFRS) compared to a loss of \$2.7 million (Canadian GAAP) for the three months to September 30, 2009 was due to the effect of the re-measurement of derivative warrant liabilities under IFRS (see "Financial Review" - "Conversion to IFRS from Canadian GAAP" above).

Under IFRS, the Company has also presented the losses attributable to non-controlling interests for the quarterly results for 2010 (further details can be found in note 5. "Transition to IFRS" of the financial statements).

FINANCIAL POSITION AS AT MARCH 31, 2011 AND DECEMBER 31, 2010

As at March 31, 2011, the Company's net assets were \$41.9 million, compared with \$40.4 million as at December 31, 2010, of which \$19.4 million consisted of cash and cash equivalents (\$19.6 million as at December 31, 2010). The increase of \$1.5 million was due to a \$3.3 million decrease in derivative warrant liabilities partially offset by funding of the Company's 40% interest in the Talas Joint Venture of \$0.2 million and corporate and exploration expenditure of \$1.6 million.

EQUITY INVESTMENT IN THE TALAS JOINT VENTURE

The Talas exploration license area comprises the Taldybulak, Kentash, Barkol and Korgontash licenses in Kyrgyzstan. The primary exploration property within the Talas exploration license area is the Taldybulak copper-gold-molybdenum porphyry deposit. The Taldybulak license expires on December 31, 2015 and the Barkol license expires on December 31, 2013. The Kentash and Korgontash licenses expire on December 31, 2012.

In December 2008 the Company entered into the JV Agreement to further develop the Talas licence area with Gold Fields and, under the terms of the JV Agreement, Gold Fields became the project operator.

In January 2010, Gold Fields earned a 60% interest in the JV Company and, in doing so, earned the ability to unilaterally control the operational, financial and investment decisions of the JV Company. For this reason the Company's 40% minority interest in the Talas Project and has been accounted for as an associate under the equity method.

A summary of the carrying value of the Company's equity investment in the Talas Joint Venture as at March 31, 2011 is set out below:

	\$000s
Fair value of equity investment as at January 1, 2011	10,221
Funding provided by the Company during the three months ended March 31, 2011	200
Less: Company's 40% share of operating losses for the three months ended March 31, 2011	(310)
Fair value of equity investment as at March 31, 2011	<u>10,111</u>

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2011 the Company's main source of liquidity was unrestricted cash of \$19.4 million, compared with \$19.6 million as at December 31, 2010 (as noted above).

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, 2011, the Company's consolidated working capital was \$21.4 million (compared with a consolidated working capital of \$21.5 million as at December 31, 2010), which, in the Company's view, is sufficient to satisfy its working capital needs for at least the next twelve months.

The Company's working capital needs as at March 31, 2011 included the maintenance of the Company's interests in, and the further exploration and the development of, the Company's mineral properties in Kazakhstan and Kyrgyzstan (minimum license expenditure obligations of approximately \$1.7 million for 2011), the completion of the Karchiga Definitive Feasibility Study (budgeted expenditures of approximately \$2.5 million for 2011), the completion of the Karchiga Acquisition (cash purchase price of approximately \$6.2 million which was paid on completion of the Karchiga Acquisition on April 12, 2011), the funding of general corporate expenses (budgeted expenditures of approximately \$4.6 million for 2011) and the contribution towards the pursuit of future growth opportunities (which may include acquiring one or more additional assets), if and when such opportunities arise.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The Company holds the majority of its surplus cash in interest-bearing bank deposit accounts in CAD\$, GBP£ and US\$ currencies 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 United States Dollars, Canadian Dollars, Kazakh Tenge, Kyrgyz Som and British Pounds Sterling. 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, the Company's ability to convert its cash funds from Canadian Dollars into the other aforementioned currencies, as may be impacted by unfavorable movements in the Canadian 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 financial statements for the three months ended March 31, 2011.

Whilst the Company's liquidity has improved following the completion of the Offering, the advancement, exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, if any, will require substantial additional financing in the future. To the extent that such funding is required in the future, the Company expects that it would try to raise such funding through equity financing if and when required. Whilst the Company has been successful in raising equity financing in the past, the Company's ability to raise additional equity financing may be affected by numerous factors beyond the Company's control, including, but not limited to, adverse market conditions and/or commodity price changes and economic downturn and those other factors that are listed under "Risks and Uncertainties" in this MD&A.

COMMITMENTS

The following table summarises the Company's future commitments as disclosed in the Company's financial statements under IFRS for the three months ended March 31, 2011:

	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 + \$000	Total \$000
Capital commitment	6,188	-	-	-	-	6,188
Lease obligations	258	344	344	344	344	1,634

The Company's lease obligations are for its London head office property rents, payable under a lease agreement expiring in 2016. The rent payable is subject to an ongoing review, which may affect the future lease obligations from February 2011 onwards. The Company will fund its lease obligations from its existing working capital.

The Company's capital commitment represents the cash consideration payable upon completion of the Karchiga Acquisition (completed in April 2011).

DISCONTINUED OPERATIONS

The Company entered into the SPA with Polymetal to sell 100% of its interest in the Varvarinskoye Project for an initial consideration of \$8 million and deferred consideration of up to \$12 million. On October 30, 2009, the Company completed the sale of its Varvarinskoye Project to Polymetal and, as a result, the Company was released from all of its financial and guarantor obligations relating to the Varvarinskoye Project.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative instruments consist of derivative assets in the form of deferred consideration relating to the sale of the Varvarinskoye Project and derivative warrant liabilities in relation to its share purchase warrants.

Deferred consideration

In relation to the Company's discontinued operations, the Company has the ability to earn deferred consideration, the fair value of which is partly dependent on future copper and gold metal prices and, for this reason, is classified as a derivative instrument and has been disclosed as a "deferred consideration receivable" asset and "deferred consideration income" in the Company's financial statements for the three months ended March 31, 2011 and the year ended December 31, 2010 (see below for further details). A description of the risks associated with this financial instrument is contained in the 'Risks and Uncertainties' section of this MD&A under the heading of "Risks and Uncertainties Relating to the Varvarinskoye Deferred Consideration Receivable (Derivative Financial Instrument)".

Deferred consideration income

Pursuant to the SPA the Company has the ability to earn deferred consideration up to a maximum of \$12 million. As at December 31, 2010 the Company estimated the fair value of the deferred consideration receivable to be \$5.1 million (nominal value as at December 31, 2009) and the full amount has been included as income within the net loss

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

as reported in the Company's financial statements for the year ended December 31, 2010. For the three months ended March 31, 2011 the Company did not recognise any deferred consideration income for the reasons below.

The deferred consideration earnings are calculated annually for each calendar year from January 1, 2010 (each year referred to as a Deferred Consideration Period or "DCP") in accordance with the formula and related provisions set out in the SPA and is contingent upon the average gold and copper metal price levels during each DCP compared to gold and copper metal benchmark prices of \$1,130 per ounce for gold and \$6,527 per tonne for copper, effective as at the date of a hedging program entered into by Polymetal. For the 2010 DCP the total deferred consideration earned by the Company of \$2.7 million was based on an average actual daily A.M. gold price, as published by the London Bullion Market Association ("LBMA") of \$1,227 per ounce and an average actual daily copper grade A official price, as published by the London Metal Exchange ("LME"), of \$7,538 per tonne.

Deferred consideration receivable

The Company has recognized a deferred consideration receivable asset of \$5.1 million in its financial statements for the year ended December 31, 2010, representing the net present value of the Company's estimated future deferred consideration earnings, based upon the Company's forecast of future gold and copper metal prices and adjusted for counterparty credit risk (see above for further information). The Company's forecast gold price range was from \$1,067 per ounce to \$1,285 per ounce and forecast copper price range was from \$6,292 per tonne to \$8,318 per tonne.

Pursuant to the SPA, the maximum amount of any deferred consideration earnings payable to the Company in any one year is limited to \$1.5 million. Any amounts earned but unpaid are carried forward to future years, together with accrued interest at LIBOR + 2%.

The net present value of the estimated future deferred consideration earnings which the Company recognised as at December 31, 2010 represents the maximum the Company may earn for deferred consideration after taking into account the limit of \$1.5 million it may receive for any one year and accruing interest on any amounts carried forward as mentioned. For this reason, the Company has not recorded any deferred income for the three months to March 31, 2011.

Of the \$5.1 million deferred consideration receivable asset as at December 31, 2010, the Company received \$1.5 million in cash in January 2011 (as the capped payment for the 2010 DCP earnings), which it recorded as a current deferred consideration receivable in its financial statements for the year ended December 31, 2010 and classified the balance of \$3.6 million as a long term deferred consideration receivable asset. For the three months ended March 31, 2011 the Company classified \$1.5 million as current deferred consideration receivable and \$2.1 million as a long term deferred consideration receivable.

Derivative warrant liabilities

In prior years the Company has issued listed share purchase warrants in conjunction with public offerings for the purchase of common shares of the Company. These share purchase warrants were issued with an exercise price in Canadian dollars, rather than U.S. dollars (the reporting and Functional Currency (as defined in "Critical accounting policies and estimates" below) of the Company), were only issued to participants in these public share offerings, are not able to be tracked by the Company and are transferable by the warrant holder. Such share purchase warrants are considered to be derivative instruments and the Company is required to re-measure the fair value of these at the reporting date. The fair value of these listed share purchase warrants are re-measured at each balance sheet date using the Black Scholes model using the exchange rates at the balance sheet date and measured over their remaining life. Adjustments to the fair value of the Share purchase warrants as at the balance sheet date are recorded to the income statement. Share purchase warrants that have expired or have been forfeited are adjusted to the net income statement. As at March 31, 2011 the Company calculated a fair value for its warrant derivative liabilities of \$2.9 million (\$6.2 million as at December 31, 2010).

TRANSACTIONS WITH RELATED PARTIES

	Three months ended March 31	
	2011	2010
	\$000	\$000
Contribution to Talas Joint Venture	200	338

The above related party transaction relates to the Company's pro-rata funding of its 40% share in the Talas Joint Venture with Gold Fields.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

ACCOUNTING POLICY DEVELOPMENTS

International Financial Reporting Standard 9, Financial instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new measurement model having only two categories: amortised costs and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognised at fair value through the profit and loss or at fair value through comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognised in profit and loss to the extent not clearly representing a return of investment, are recognised in profit and loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following critical IFRS accounting policies and estimates are relevant to the presentation of the Company's financial results as at March 31, 2011:

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the interim financial statements, the Company makes estimates and assumptions that affect the amounts reported. Significant estimates and areas where judgement is applied include fair values used to establish mineral reserve quantities, if any, valuation of deferred consideration, property plant and equipment lives, tax provisions, deferred tax balances and timing of their reversals, share purchase warrant liabilities and equity instruments. Actual results could differ from the Company's estimates.

Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company accounts for its investments in companies over which it has significant influence using the equity basis of accounting whereby the investments are initially recorded at fair value and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies.

The Company assesses at each reporting period whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of net income and comprehensive income.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors being the body responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The Functional Currency of all the entities is the United States Dollar ("USD" or "US dollars"). The consolidated financial statements are presented in USD, which is the Company's presentational currency.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within 'finance income or expense'. All other foreign exchange gains and losses are presented in the income statement within 'foreign exchange gains/(losses)'.

The Company's foreign operations are translated from their local currencies into U.S. dollars on consolidation. Items in the income statement are translated using an average exchange rate for the period that is a reasonable approximation to the exchange rates at the transaction dates. Monetary assets and liabilities on the balance sheet are translated at the spot exchange rate at the balance sheet date. The exchange differences on translation of the net assets of these operations are recognised in the income statement as foreign exchange gains or losses.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance expenditures are charged to operations. Major improvements and replacements that extend the useful life of an asset are capitalized.

Office equipment is amortized on a straight line basis over 4 to 10 years.

Mineral properties and development costs

Mineral property and development costs represent capitalized expenditures related to the acquisition, exploration and development of mineral properties and related plant and equipment.

Mineral properties

The Company reviews and evaluates its mineral property and development assets for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Under IFRS 6 the Company initially assesses where facts and circumstances indicate that the carrying amount of a mineral property may exceed its fair value. Facts and circumstances which indicate that the Company should test for impairment include expiry of the exploration license where renewal is not expected, substantive expenditure not planned for the foreseeable future, poor resource results or data which adequately shows that it is not economically viable. When facts and circumstance indicate that the carrying amount exceeds the recoverable amount, the Company will then estimate net future cash flows and write down any impairment.

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If an impairment is identified, the carrying value of the mineral property is written down to its estimated fair value.

Although the Company has taken steps to verify its title to mineral properties in which it has an interest, according to industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

Exploration and evaluation costs

Exploration and associated costs relating to properties for which there is no evidence of economically recoverable mineralization are expensed in the period incurred. Exploration costs relating to properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned, placed into production or becomes impaired.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes a contractual party to a financial instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred all the risk and rewards of ownership.

Cash and cash equivalents

Cash and cash equivalent balances include cash and short-term cash deposits with banks that have an original maturity date of 90 days or less. Cash and cash equivalents have been designated as held-for-trading and are

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

reported at the balance sheet at their carrying value which reflects their fair value, with changes in their fair value reported in the statements of operations.

Accounts payables and accrued liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable and accrued liabilities are reported at their carrying value at the balance sheet which reflects their fair value.

Derivative financial instruments

The Company's derivative instruments consist of derivative assets in the form of deferred consideration relating to its discontinued operations being the Varvarinskoye Project and derivative liabilities in relation to its share purchase warrants.

In relation to the Varvarinskoye Project the Company has the ability to earn deferred consideration the fair value of which is partly dependent on future copper and gold metal prices and, for this reason, is classified as a derivative instrument (see note 6). The fair value of the deferred consideration receivable is measured at each balance sheet date, classified between current and long term, and is calculated as the discounted net present value of expected future deferred consideration cash flows taking into account the counterparty credit risk. The fair value of the derivative instrument is adjusted at each balance sheet date and represents the amount that the Company estimates it will receive from the counterparty in effect at the balance sheet date, with changes in fair value recorded in the determination of net income for the year.

In prior years the Company has issued listed share purchase warrants in conjunction with public offerings for the purchase of common shares of the Company. These share purchase warrants were issued with an exercise price in Canadian dollars, rather than US dollars (the reporting and Functional Currency of the Company), were only issued to participants in these public share offering, are not able to be tracked by the Company and are transferable by the warrant holder. Such share purchase warrants are considered to be derivative instruments and the Company is required to re-measure the fair value of these at the reporting date. The fair value of these listed share purchase warrants are re-measured at each balance sheet date using the Black Scholes model using the exchange rates at the balance sheet date and measured over their remaining life. Adjustments to the fair value of the Share purchase warrants as at the balance sheet date are recorded to the income statement. Share purchase warrants that have expired or have been forfeited are adjusted to the net income statement.

Income taxes

The Company's income tax is comprised of current and deferred tax. The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized as the estimated income taxes payable for the current period using tax rates enacted, or substantially enacted, at the end of the reporting period. Future income tax assets are deferred to future tax years and, where the Company considers that these are unlikely to be recognised a valuation allowance is provided.

Deferred tax assets and liabilities are recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are evaluated and where the Company considers that these are unlikely to be realised, a valuation allowance is provided.

Deferred income tax liabilities are presented as long term liabilities in the balance sheet.

Share based payments

The Company uses the fair value method for accounting for stock-based awards to employees and non-employees. Under the fair value method, compensation expenses attributed to the direct award of stock to employees are measured at the fair value of the award at the grant date using an option pricing model and are recognized over the vesting period of the award. Shared based payments to non-employees are measured based on the fair value of the service received, at the date at which the Company receives the service. If and when the stock options are ultimately exercised, the applicable amounts of share purchase options are credited to share capital.

Share capital

Common shares issued are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognised as a deduction from equity.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Share purchase warrants that are issued for services are initially accounted for under IFRS 2 as equity instruments (their initial fair value would be recognised as a share issuance cost). Subsequent to their issuance, share purchase warrants issued for services that can be tracked (are non-transferable) are considered as equity for their entire life. The fair value of such share purchase warrants are not re-measured. Where these share purchase warrants are ultimately exercised, the applicable amounts of share purchase warrants are credited to share capital. Where share purchase warrants expire or are forfeited then these are credited to contributed surplus.

Earnings/(loss) per share

Earnings/ (loss) per share are calculated based on the weighted average number of common shares issued and outstanding during the year. Diluted earnings / (loss) per common share are calculated using the treasury stock method for outstanding stock options and warrants. Under the treasury stock method, incremental common shares issuable upon the exercise of stock options and warrants are excluded from the computation if their effect is anti-dilutive. In periods in which a loss is incurred, the calculation would be anti-dilutive, in which case basic and diluted loss per share are the same.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

RISKS AND UNCERTAINTIES

Readers of this MD&A should give careful consideration to the information included in this document and the Company's consolidated financial statements and notes. The following describes some of the risks that could affect Orsu.

Such risks include risks associated with the estimate of mineral resources and conclusions contained in scoping studies; risks related to exploration and development operations; risk of changes to applicable government regulations relating to the mining industry or to their application or shifts in political conditions in foreign countries; risks of changes to environmental legislation; risks associated with the political and legal environment in Kazakhstan and Kyrgyzstan; risks associated with doing business in Kazakhstan and Kyrgyzstan; risks associated with the acquisition and retention of title to mineral properties; risks associated with non-compliance with environmental and regulatory requirements; fluctuations in the price of gold or copper or molybdenum and foreign currency fluctuations; risks related to obtaining required financing and operating permits on a timely basis; risks relating to global economics and financial markets; and the inability to economically or fully insure against certain risks. The Company is also subject to a number of risk factors due to the nature of the resource business in which it is engaged. The Company seeks to counter these risks as much as possible by selecting exploration and development areas on the basis of their recognised geological, production and potential to host economic returns.

The Government of Kazakhstan's pre-emptive rights, waiver and consent of the Competent Authority

Under the Kazakhstan's Law No. 291-IV "On Subsoil and Subsoil Use" dated June 24, 2010 (the "**Subsoil Law**"), the prior consent of the MINT (the "**Competent Authority**") is required, among others, for the initial and additional issuance and placement of shares from the Company's or any of its subsidiaries' treasury. Such consent is not required for any subsequent trading of such shares, including, in the case of the Common Shares, trading through the facilities of the Toronto Stock Exchange ("TSX") and the AIM market of the London Stock Exchange ("AIM"), provided that the initial placement of such shares was approved by the Competent Authority. The State of Kazakhstan, acting through the Competent Authority, has the unilateral right to terminate a subsoil use contract for a violation of its pre-emptive right. See "Recent Changes in Kazakh Subsoil Use Law" below.

The Company has in the past obtained waivers which were required for the issuance from treasury and/or the transfer of shares of its subsidiaries. However, the Company has not obtained a waiver in respect of the initial placement of Common Shares which are currently being traded on the TSX and AIM. The Company obtained a waiver of the application of the State of Kazakhstan's pre-emptive right with respect to the current trading of the Common Shares on the TSX and AIM on October 25, 2010 and permits placement, sale or exchange of 241,851,581 Common Shares. As the Company, acting in good faith, disclosed in the waiver application to the Competent Authority the information on such past placements, the Company believes that the risk of the Competent Authority challenging such past placements and subsequent termination of Company's subsoil use contract is remote. The Company is not aware of any instance of the State of Kazakhstan having terminated a subsoil use contract of any legal entity which indirectly, through its subsidiaries, holds a Kazakh subsoil use right as a result of the shares of such entity having been traded on a stock exchange or other public market in breach of the Subsoil Law.

Risks Relating to the Kyrgyz Republic

Uncertain Political Environment in the Kyrgyz Republic

The Kyrgyz Republic has a short history as an independent nation and there is potential for social, political, economic, legal, and fiscal instability.

In particular, from April to June, 2010 the Kyrgyz Republic experienced political instability and civil unrest. On April 7, 2010, a change in government took place with opposition leaders forming an interim government and the former president leaving the country. The interim government took over the powers of the president, parliament and the central government and dissolved the Kyrgyz parliament, and stated that it would remain in power until a new constitution had been adopted and new parliamentary elections held. On June 27, 2010, a referendum was held and 90.55% of the voters supported the new constitution and the election of Ms. Roza Otunbaeva as the President of the country until December 31, 2011. The new constitution provides that the Kyrgyz Republic shall become a parliamentary republic, rather than a presidential republic. On October 10, 2010, the parliamentary elections were held and the elections results were announced in November 2010. Five leading political parties won seats at the Parliament and three parties, Ata-Zhurt, the Social Democratic Party of Kyrgyzstan, and the Respublica Party, formed a governmental coalition on December 16, 2010 led by the Prime Minister, Almazbek Atambaev, and a new structure and members for the cabinet of ministers were approved by the parliament. Whether these, or further, changes in the government will have a material adverse effect upon the Company's business, operations or any of the licences held in the Kyrgyz Republic is unknown at this time.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Future political or social instability or civil unrest in the Kyrgyz Republic, including the Talas region, could, in addition to affecting the political, social and/or economic stability of the Kyrgyz Republic, adversely affect the ongoing exploration and development of the Talas Project and/or the Akdjol-Tokhtazan Project or even the loss of the Company's interest in such properties, which, in the case of the Talas Project, could have a material adverse effect upon the Company, its financial condition and results of operations.

Other risks associated with the Company's business in the Kyrgyz Republic include the possibility of: local currency devaluation; exchange controls or restrictions on availability of hard currency; transportation regulations; changes in taxes, royalty and bonus rates, import and export tariffs and withholding taxes on distributions to foreign investors; nationalization, condemnation, or expropriation of property; dependency upon good relations with the Kyrgyz Republic's neighbours to ensure the Kyrgyz Republic's ability to export; and interruption or blockage of gold or copper exports. The occurrence of one or more of the foregoing could have a material adverse effect on the Company. As at the date of this MD&A, it is uncertain whether the current evolving political and social changes in the Kyrgyz Republic will have a direct or indirect material adverse effect upon the Company or its business or financial condition.

Uncertain legal environment in Kyrgyzstan

The legislation of the Kyrgyz Republic is unstable and is regularly amended and modified. The following risks create uncertainties to businesses in the Kyrgyz Republic: conflicting and uncoordinated laws, regulations and decrees; inconsistent application of laws and regulation; alleged bribery and corruption and non-transparency within governmental bodies; alleged non-independent judicial system; certain limitations related to foreign citizens; changes in the tax regime; discrepancies and confusion surrounding the powers of different governmental agencies; and excessive discretion. It should be noted that after the change of government in April 2010, the interim government adopted decrees on nationalization of various properties and introduced external management to certain companies, which are stated to be owned by the family and close circle of friends of the former president, Kurmanbek Bakiev. However, on April 26, 2010, the new interim government adopted decree No. 23 "On protection of investments", which guaranteed to local and foreign investors protection of investments, a fair and equal legal regime and fulfillment of the international obligations of the Kyrgyz Republic.

Risks related to the Karchiga Scoping Study, Taldybulak Scoping Study and NI 43-101 Taldybulak Scoping Study Report

The Karchiga Scoping Study, Taldybulak Scoping Study, and NI 43-101 Taldybulak Scoping Study Report are preliminary in nature and, along with indicated mineral resources, include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there can be no assurance that the preliminary assessments based on the respective mineral resources set out in the Karchiga Scoping Study, Taldybulak Scoping Study and NI 43-101 Taldybulak Scoping Study Report will be realised. The results depend on inputs that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those presented in this MD&A.

Risks related to the Karchiga Definitive Feasibility Study

The Company believes that the assumptions it has made in estimating the costs, work programme and timing associated with the completion of the Karchiga Definitive Feasibility Study are reasonable and that it has taken all reasonable steps to select reputable and financially stable contractors; however, there are a number of known and unknown risks, uncertainties and other factors that may cause the actual costs and completion date of the Karchiga Definitive Feasibility Study to differ from the Company's expectations contained herein or in the Company's other publicly filed documents. Any unexpected delays or additional costs relating to the Karchiga Definitive Feasibility Study, and the impact thereof upon the timing of the commencement of construction at the Karchiga Project, could have a material adverse effect upon the Company, its financial condition and results of operations.

Also, there can be no assurance that the final results of the Karchiga Definitive Feasibility Study will be sufficiently positive to allow the Company to proceed with construction at the Karchiga Project. This may have a material adverse effect upon the valuation of the Karchiga Project in the Company's financial statements and its overall financial condition.

Risks Relating to Kazakhstan

Uncertain Political Environment in Kazakhstan

Kazakhstan was a constituent republic of the former Soviet Union. In 1991, Kazakhstan declared its independence from the Soviet Union. At the time of its independence, it became a member of the Commonwealth of Independent States. Because Kazakhstan has a short history of political stability as an independent nation, there is potential for

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

social, political, economic, legal, and fiscal instability. These risks include: local currency devaluation; exchange controls or restrictions on availability of hard currency; transportation regulations; changes with respect to taxes, royalty rates, import and export tariffs and withholding taxes on distributions to foreign investors; nationalization, condemnation, or expropriation of property; and interruption or blockage of gold or copper exports. All of these factors could have a material adverse effect on the Company's business and financial condition. In addition, since the dissolution of the Soviet Union, a number of other former Soviet republics have experienced periods of political instability, civil unrest, military action or incidents of violence. Kazakhstan has not experienced any such unrest and, to date, this regional instability has not affected Kazakhstan or the Company's operations in Kazakhstan. However, future political instability, civil unrest or continued violence in the region could affect the political or economic stability of Kazakhstan, and could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Adverse Economic Conditions in Kazakhstan

Since its independence from the Soviet Union in December 1991, Kazakhstan has been undergoing a rapid and uneven transition to a market oriented economy. It has experienced severe economic problems since independence, including shortages in the supply of goods and services, unemployment and non-payment of wages, shortages, failures and other problems with utilities, transportation, communication and other infrastructure. In addition, stability in other countries, such as Russia, may materially affect the condition of the Kazakhstan economy. The Company cannot be assured that the economic measures taken by the Kazakhstan government will be effective in improving economic conditions in Kazakhstan or that the process of transition to a market oriented economy will be successful. These conditions could have a material adverse effect on the Company's business and financial condition.

Uncertain Legal Environment in Kazakhstan

The current legal environment in Kazakhstan is characterized by ambiguous and inconsistent legislation, gaps where legislation is not yet available, and uncertainty in application due to frequent policy shifts and lack of administrative and judicial experience. Kazakh laws often provide general statements of principles rather than a specific guide to operations and government officials may be delegated or exercise broad authority to determine matters of significance to the operations and business of the Company. Such authority may be exercised in an unpredictable way and effective appeal processes may not be available. In addition, breaches of Kazakh law, especially in the areas of taxation, may involve severe penalties and consequences regarded as disproportionate to the offence.

It is often difficult to obtain all necessary information about required permits, approvals and licences as there is no comprehensive index or system for accessing all relevant legislation or administrative regulations. Additionally, officials often interpret regulations in an arbitrary or unpredictable way. It is also likely that the laws will change and such changes could be retrospective in form and effect.

There can be no assurance that the Company has complied with all applicable laws or obtained all necessary approvals in Kazakhstan. There can be no assurance that laws, orders, rules, regulations and other Kazakh legislation currently relating to the Company will not be altered, in whole or in part, or that a Kazakh court or other authority will not interpret existing Kazakh legislation, whether retroactively or otherwise, in such a way that would have an adverse impact on the Company. While there are some civil protections available against the retroactive effects of legislation, it may often be difficult to rely on or enforce such protections. The Company's failure to comply with any of these laws or obtain all of the necessary approvals could hinder the Company's ability to continue with its intended exploration work programme as planned and within the timescales previously planned and, if any breach is significant or remains unremedied for a prolonged period of time, the breach could threaten the Company's ability to retain its title to its exploration licences and so affect the Company's future prospects.

In general, there remains uncertainty as to the extent to which Kazakh parties and entities, particularly governmental agencies, will respect the contractual and other rights of the non-Kazakh parties with which they deal and also as to the extent to which the "rule of law" has taken hold and will be upheld in Kazakhstan. Procedures for the protection of rights, such as the taking of security, the enforcement of claims and proceedings for injunctive relief or to obtain damages, are still relatively undeveloped in Kazakhstan. Accordingly, there may be greater difficulty and uncertainty in respect of the Company's ability to protect and enforce its legislated and contractual rights. There can be no assurance that this will not have a material adverse effect upon the Company's business and financial condition.

Recent Changes in Kazakh Subsoil Use Law

The Subsoil Law was adopted on June 24, 2010 and became effective on July 7, 2010. The Subsoil Law replaced (i) the Law of the Republic of Kazakhstan "On Subsoil and Subsoil Use" dated January 27, 1996 and (ii) the Law of the Republic of Kazakhstan "On Petroleum" dated June 28, 1995 (the "**Old Subsoil Laws**").

The Subsoil Law introduces significant changes in terms of the regulation of the activities of subsoil users.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The general stability provision has been changed in the Subsoil Law. Under the Old Subsoil Law, changes in legislation that worsened the position of the subsoil user did not apply to resource use contracts signed before the changes were adopted. Under the Subsoil Law, contracts are only protected from changes in legislation if the changes worsen the commercial position of the subsoil user. The Subsoil Law expands the list of exceptions from stabilization to include taxation and customs regulation. These are in addition to exceptions in the old law for defence, national security, environmental protection and health. The Subsoil Law continues to weaken the government's stabilization guarantee. The government is broadly applying the national security exception to encompass security over strategic national resources.

Pursuant to the Subsoil Law, contractors are obliged to develop project documentation and submit it for approval by relevant state authorities within 12 months from the effective date of the Subsoil Law, i.e. by July 7, 2011. Moreover, the contractors need to submit for approval the work programs prepared on the basis of project documentation. The work programs should be submitted within 18 months from the effective date of the Subsoil Law, i.e. by January 7, 2012. The Subsoil Law cancelled the annual work programs. Instead, expected exploration and/or production volumes for each year shall be set forth in the newly developed and approved work program, as described above.

Under the Subsoil Law the

Competent Authority has a right to unilaterally terminate a subsoil use contract if a subsoil user more than twice failed to rectify violations within the period indicated by the Competent Authority in its notification. Previously, the only way a subsoil user could renew a subsoil use contract was by way of court application. The Subsoil Law provides that the Competent Authority may renew a subsoil use contract without a court application in the following cases: (i) the decision to terminate the contract was adopted on the basis of doubtful information; and/or (ii) failure to perform or duly perform contractual obligations occurred due to force-majeure circumstances.

Under the Old Subsoil Law the State of Kazakhstan had a statutory pre-emptive right that was exercisable in the event that a subsoil user wished to sell or otherwise transfer any contractual subsoil use rights or any shares or other equity interest in (i) a legal entity holding a subsoil use right or (ii) a legal entity which could directly or indirectly make decisions and/or exert influence over decisions adopted by a subsoil user, if the main activity of an such entity was connected to subsoil use in Kazakhstan. The pre-emptive right entitled the State of Kazakhstan to purchase such rights or equity interests on terms no less beneficial than those offered to the intended purchaser.

The Subsoil Law retains the provisions of the Old Subsoil Laws but it also provides for certain exemptions from those provisions for:

1. public market transactions that take place on a recognized securities exchange and are in respect of securities already listed and in circulation, notwithstanding the fact that these transactions would otherwise be subject to the State pre-emptive right;
2. the transfer, in full or in part, of subsoil use rights or objects associated with subsoil use rights to a subsidiary of a subsoil user in which not less than 99% of the equity of such subsidiary is owned directly or indirectly by the subsoil user, provided that such subsidiary is not registered in a country with a preferential tax regime;
3. the transfer, in full or in part, of subsoil use rights or objects associated with subsoil use rights between legal entities in which not less than 99% of the equity of both parties is owned directly or indirectly by the same entity, provided that the acquiring entity is not registered in a country with a preferential tax regime;
4. transactions involving the purchase or sale of securities that would otherwise be subject to the pre-emptive right, but which would result in the transfer of less than 0.1% of the equity of acquirer.

Pursuant to the Subsoil Law, objects associated with subsoil use right were expanded and include now:

- participatory interests (shares) in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user if the principal activity of such subsoil user is related to subsoil use in Kazakhstan; and/or
- securities confirming title to shares or securities convertible to shares of a subsoil user as well as a legal entity who may directly and/or indirectly determine the decisions and/or influence the decisions adopted by such a subsoil user if such a legal entity's core activities are associated with subsoil use in the Republic of Kazakhstan ("**Associated Rights**").

The Old Subsoil Laws provided a list of transactions/cases, other than for the alienation of subsoil use rights and Associated Rights, which required preliminary consent from a competent body. The Subsoil Law expanded this list by stating that the following transactions/cases require preliminary consent from a Competent Authority:

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

- foreclosure of subsoil use rights and Associated Rights;
- transfer of subsoil use rights and Associated Rights to the third parties' charter capital;
- transfer of subsoil use rights and Associated Rights in the course of bankruptcy proceedings;
- obtaining a right to a participatory interest in a subsoil user or its parent company if such right arises as a result of charter capital increase or by accession of a new participant to such legal entity;
- the initial public offering on an organized market of a subsoil user or its parent companies' securities;
- a pledge of participatory interests (shares) in a subsoil user;
- the transfer of subsoil use rights or Associated Rights due to the reorganization of a subsoil user or its parent companies.

The Subsoil Law provides for an obligation of subsoil users, who signed their contracts prior to the enactment of the Subsoil Law, to be guided by the requirements established by the Subsoil Law with respect to unification of terminology and submission of information regarding:

- Kazakhstan content in goods, works and services ("GWS") and personnel calculated in accordance with the unified methodology for calculation of Kazakhstan Content during procurement of GWS; and
- planned and actual procurement of GWS in accordance with the procedure and in forms approved by the competent authority.

The provisions regarding GWS and procurement requirements shall have retroactive effect and will apply to all contractors, regardless of any specific provisions on those topics.

Recent Changes in Regulatory Authorities in Kazakhstan

Until March 12, 2010, the Competent Authority was the Former MENMR. On March 12, 2010, the Government of Kazakhstan eliminated the Former MEMR and transferred its functions to two newly formed ministries, the Ministry of Oil and Gas and the MINT. The Ministry of Oil and Gas assumed the responsibility for all matters relating to oil and gas and the MINT assumed responsibility for all matters relating to the mining.

Due to the above reorganisation and the introduction of the new Subsoil Law, various operational and commercial approvals are often delayed. In practice, such delays affect the approvals relating but not restricted to, the following key areas:

- emission permits;
- commencement/extensions of trial production projects;
- transition to commercial production stage;
- the State's pre-emptive right waiver and the MINT's consent.

The above delays may result in negative consequences with respect to the work programs, production and tax revenues.

Kazakhstan Tax Legislation

The taxation system in Kazakhstan is still developing. The tax risks with respect to the Company's operations and investment in Kazakhstan are significant. Tax legislation is subject to different and changing interpretations as well as inconsistent enforcement at both local and state levels.

With the introduction of the Tax Code in December 2008 that became effective from 1 January 2009, Kazakhstan subsoil use taxation has undergone significant changes. The most important and significant change of such new legislation is the abolishment of stability of the tax regime for all subsoil use contracts, except for PSAs' signed prior to 1 January 2009 and subsoil use contracts signed by the President of Kazakhstan.

Thus, each subsoil user is required to pay all taxes and make other special subsoil use payments to the budget in accordance with the applicable laws in force as from the date such liabilities arise.

In comparison to the previous tax regime wherein the rates were set out in the subsoil use contracts, the new tax legislation envisages one common model of tax regime that requires a subsoil user to pay taxes (and other

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

mandatory payments). Currently all subsoil users carrying out activities in Kazakhstan may also be required to pay signing and commercial discovery bonuses, historical costs, mineral production tax ("MPT") and excess profit tax.

A signing bonus is a one-time payment for the rights to explore, develop and produce resources. A commercial discovery bonus is a one-time payment and is payable once a discovery of commercial value is made in the licensed or contracted territory. MPT has replaced royalties and is paid separately for each type of mineral produced on the territory of Kazakhstan. MPT is normally paid in cash, unless the government of Kazakhstan specifically requires its payment in kind. An excess profits tax is also payable by gold and copper producers when their profits are in excess of a specified rate of return as set forth in the Tax Code. Payment of historical costs is designed to recover historical costs previously incurred by the Government of Kazakhstan for exploration and development of reserves of mineral resources. The historical costs shall be paid only upon commercial discovery and transition into the production stage.

In addition, all legal entities carrying on activities in Kazakhstan must be registered with the tax inspectorate and pay an income tax, a value added tax, a withholding tax, an excise tax, a tax on securities transactions, a land tax, a property tax, and a transport tax, as well as required contributions to social funds, fees for licences and customs fees and duties.

National Interests

The Subsoil Law also contains a concept of "fields of strategic importance". This concept is aimed to protect Kazakhstan's national interests in the sphere of subsoil use. On August 19, 2009, a Governmental Resolution "On Determination of the List of Subsoil (Deposit) Areas having Strategic Importance" came into force whereby certain fields are prescribed as fields of strategic importance. Currently the area covered by the Karchiga Project Contract is not included in this list and therefore is not considered to be a field of strategic importance.

As a matter of applicable laws, the State is entitled to introduce amendments and/or additions to a subsoil use contract. As such, these amendments and/or additions may be made if the actions of the relevant subsoil user, operating what is deemed to be a strategic subsoil field, results in unfavourable changes to Kazakhstan's economic interests which may adversely affect the national security. While there are no clear guidelines of how a determination of changes to the national economy will be made, it appears that this determination and whether in fact the changes are material would be made at the discretion of the government of Kazakhstan and the MINT.

Currency Regulation and Currency Control Laws

On July 4, 2009, amendments to the Law of the Republic of Kazakhstan "On Currency Regulation and Currency Control" were adopted. These amendments are aimed at preventing possible threats to the economic security and stability of the Kazakh financial system. The President of Kazakhstan was granted with the right to establish, by way of a special President's decree, a special currency regime which may include: (i) depositing a certain portion of foreign currency interest free in a resident Kazakh bank or the National Bank of Kazakhstan; (ii) obtaining special permission of the National Bank of Kazakhstan for currency transactions; and (iii) restricting foreign currency transfers overseas.

In general, the impact of the special currency regime is that, if imposed, it may potentially result in preventing subsoil users in Kazakhstan from being able to pay dividends to their shareholders abroad or repatriating profits in foreign currency in full or in part. In addition, extra administrative procedures could be imposed and Kazakh companies could be required to hold a part of their foreign currency in local banks.

Regulatory Approvals

The operations of Orsu and the exploration, development and subsoil use rights which have been obtained by the Company require numerous approvals, consents, licences, permits and registrations from various regulatory authorities, governmental and otherwise, and/or renewals or extensions thereof. No assurance can be given that approvals, consents, licences, permits and registrations currently held by Orsu or which are obtained in the future will not be withdrawn, revoked or subject to change, with or without notice, or that they will not be renewed or extended as required. As well, additional project specific consents, permits, registrations and/or governmental decrees may be required. Furthermore, as Kazakhstan and Kyrgyzstan have somewhat bureaucratic administrative systems, there may be delays in obtaining, renewing or extending such approvals, consents, licences, permits and registrations. There is no assurance that Orsu will be able to obtain, maintain, renew or extend all necessary approvals, consents, licences, permits and registrations that may be required and/or that all consents, licences, permits and registrations specific to the Company's exploration projects will be forthcoming in order to enable Orsu to explore and develop the properties on which it has exploration, development and subsoil use rights or to commence construction or operation of mining facilities that economically justify the costs involved. All such factors may have material adverse effects on Orsu's business and financial condition.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Additional Equity Financing

The advancement, exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, if any, will require substantial additional financing in the future. Failure to obtain sufficient financing in the future will result in a delay or indefinite postponement of the advancement, exploration, development or commercial production on any or all of the Company's properties or even a loss of a property interest. Additional equity financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. While the Company has been successful in raising such financing in the past, the Company's ability to raise additional financing may be affected by numerous factors beyond the Company's control, including, but not limited to, adverse market conditions and/or commodity price changes and economic downturn and those other factors listed under this "Risk and Uncertainties" section of this MD&A. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Gold Fields Joint Venture

Under the terms of the JV Agreement, dilution provisions apply if either party decides not to contribute to approved, budgeted expenditure in accordance with its pro-rata share. As a result, if the Company is unable to fund its pro-rata share of project expenditure, the Company's interest in the JV Company, and therefore the Talas Project, will be reduced according to the dilution provisions of the JV Agreement. This will reduce the Company's share of any potential future revenues and profits generated by the Talas Project if and when the exploration stage is satisfactorily completed and the project becomes an operating asset.

Although the Company expects that it will contribute to expenditures in accordance with its pro-rata share, no assurance can be given in this respect and as a result, the Company's interest in the Talas Project may be diluted from the present 40% if the Company is unable to make its pro-rata contribution to the Talas Project at any time in the future. If the Company's interest is reduced to 10% or less, then such interest will be substituted for a 2% net smelter returns royalty.

Risks and Uncertainties Relating to the SPA and the Sale of the Varvarinskoye Project

Pursuant to the terms of the SPA, the Company has given Polymetal certain customary warranties regarding title and certain former direct and indirect subsidiaries. These warranties are subject to certain limitations, including specified time periods within which claims relating to such warranties can be brought and individual and aggregate claims thresholds and liability caps which are customary for a transaction of this nature. The Company has also given indemnities relating to certain potential tax liabilities and liabilities connected to its former indirect subsidiary, JSC Kenzhem.

In the event that Polymetal pursues a claim against Orsu for a breach of any of these warranties, or Orsu is required to meet its obligations under the indemnities provided to Polymetal, Orsu will be exposed to unexpected and potentially material cash outflows from its limited cash resources, which could have a material adverse effect on the Company's financial condition and results of operations.

Risks and Uncertainties Relating to the Varvarinskoye Deferred Consideration Receivable (Derivative Financial Instrument)

In relation to the Company's discontinued operations, the Company has the ability to earn deferred consideration, the fair value of which is partly dependent on future copper and gold metal prices and, for this reason, is classified as a derivative instrument in the Company's financial statements. Despite the initial cash consideration of \$8 million (received by Orsu upon the completion of the disposal of the Varvarinskoye Project) and the cash payment to Orsu of \$1.5 million (received by Orsu in January 2011) in relation to the deferred consideration earnings for 2010, there remains significant uncertainty in relation to Orsu's future receipt of any further deferred consideration (up to a maximum remaining entitlement of \$9.3 million (in addition to an outstanding \$1.2 million earned in 2010)) and the carrying value of the deferred consideration receivable in the Company's financial statements.

Deferred consideration proceeds are based upon and affected by the hedging program entered into by Polymetal, future gold and copper metal prices and the future cash flows of the Varvarinskoye Project, if any, and these key factors are not under the control or influence of Orsu. The fair value of the deferred consideration receivable in the Company's financial statements is calculated as the discounted net present value of expected future deferred consideration cash flows and takes into account, amongst other things, the Company's estimates of future gold and copper metal prices, the future cash flows of the Varvarinskoye Project and the counterparty (Polymetal) credit risk. An adverse change in any such estimates of the Company could have a material adverse effect upon the Company's

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

valuation of the deferred consideration receivable in the Company's financial statements and its overall financial condition.

Estimates of Mineral Resources

The mineral resource estimates published from time to time by the Company (including those referred to in this MD&A) are estimates only and no assurance can be given that any particular level of recovery of gold, copper or other minerals from mineral resources will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be economically exploited. Additionally, no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Estimates of mineral resources can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ dramatically from that indicated by results of drilling, sampling and other similar examinations. Short term factors relating to mineral resources, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in mineral resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. Mineral resources are reported as general indicators of mine life. Mineral resources should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and corresponding grades being mined or dedicated to future production. Until ore is actually mined and processed, mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on mineral prices. Any material change in mineral resources, grades or stripping ratios will affect the economic viability of the Company's projects.

Subsoil use rights

In Kyrgyzstan and Kazakhstan, all subsoil reserves belong to the State. Non-compliance with mining legislation and subsoil use contracts may lead to regulatory challenges and subsequently the loss of access to mineral resources. Subsoil use rights that are granted to the Company may conceivably be suspended or terminated if the Company does not satisfy its licencing or contractual obligations, which include periodic payment of royalties to the governments and the satisfaction of mining, environmental and health and safety requirements. The Company's management makes every effort to ensure compliance with all mining legislation, the terms of subsoil use contracts and any approved work programmes. Please see "The Government of Kazakhstan's pre-emptive rights, waiver and consent of the Competent Authority".

Asset Impairment

The Company considers those events or circumstances which may indicate that a long-lived asset's carrying amount may not be recoverable, in which case the carrying value of long-lived assets is tested for impairment.

At the date of this MD&A the Company believes that no impairment indicators are present and there are no indicators that the carrying values of its mineral properties may not be recoverable. Although management of the Company believes that the estimates and judgments applied in such impairment assessments are reasonable, such assessments are subject to significant uncertainties and judgments. If long-term estimates including those made for commodity prices, recoverable metal and share prices were to change significantly, additional impairment charges may be required in future periods, and such charges could have a material adverse effect upon the Company's financial condition.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties are unable to fulfil their respective commitments to the Company. The Company's exposure to credit risk relates to its cash and cash equivalent assets and its deferred consideration receivable. The Company's cash and short term deposits are all held at banks with a minimum credit rating (as defined by recognized credit agencies) of "A-1" and, as such, the Company believes that these banks do not have significant exposure to credit risk. However, there are a number of known and unknown risks, uncertainties and other factors that may give rise to an increase in the Company's exposure to credit risk and which could have a material adverse effect upon the Company's financial condition. See also "Risks and Uncertainties Relating to the Varvarinskoye Deferred Consideration Receivable (Derivative Financial Instrument)" above.

Speculative Nature of Mineral Exploration

The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into economically viable operating mines. Major expenditure on Orsu's

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

exploration properties may be required in constructing mining and processing facilities at a site, and it is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on Orsu's projects or the current or proposed exploration programmes on any of the properties in which Orsu has exploration rights will result in any profitable commercial mining operation. Orsu cannot give any assurance that its current and future exploration activities will result in the discovery of mineral deposits containing mineral reserves.

Whether a precious metal or a base metal deposit will be commercially viable will depend on a number of factors, some of which are the particular attributes of the deposit (such as its size and grade), proximity to infrastructure, financing costs and governmental regulations (including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of precious metals or base metals concentrates, exchange controls and environmental protection). The combination of these factors may have a material adverse effect on Orsu's business and financial condition.

Class Action Claim

Pursuant to a class action claim commenced against EMC and two of its officers in the Ontario Superior Court of Justice in June, 2008 (the "Claim"), general and special damages in the amount of CAD\$50,000,000 and punitive damages in the amount of CAD\$5,000,000 were claimed against the Company. The Company entered into a court-approved settlement agreement in connection with the Claim, pursuant to which it was agreed that the Claim would be settled for CAD\$2.2 million, to be shared equally between Orsu and its insurer (the "Settlement Agreement"), which became effective on March 22, 2010. Individual class members had the right to opt out of the settlement during an opt-out period, which expired on June 7, 2010. The Company was notified that no class members opted out of the settlement. The settlement is now final.

However, the enforceability of the Settlement Agreement against class members who are not residents of Ontario will be subject to the various jurisdictional laws of the respective jurisdictions in which such class members are located or where they bring any legal action. In any class action involving potential class members in other jurisdictions, there is always the possibility that some of those class members may still be able to pursue individual claims and seek recovery in the courts of their respective jurisdictions. While the Company does not anticipate that any individual claims by such class members would be significant, there can be no assurance that any such claims, if made and were to be successful, would not have a material adverse effect on Orsu's financial condition. However, no such challenges to the settlement have been launched to this point.

Precious Metal and Base Metal Prices

The profitability of any precious or base metal mining operation in which Orsu may have an interest will be significantly affected by changes in the market price of precious and base metals. Precious and base metal prices fluctuate on a daily basis and are affected by numerous factors beyond Orsu's control. The level of interest rates, the rate of inflation, world supply of precious and base metals and stability of exchange rates can all cause significant fluctuations in precious and base metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of precious and base metals has historically fluctuated widely and future price declines could cause commercial production to be uneconomical and such fluctuations could have a material adverse effect on Orsu's business and financial condition.

Currency Risk

The Company's asset values and any future earnings and cash flows will be influenced by a wide variety of currencies due to the geographic diversity of the Company's areas of operation. The relative value of currencies can fluctuate widely and could have a material and adverse impact on the Company's asset values, costs, earnings and cash flows.

Foreign Operations

The Company's material properties are located in Kazakhstan and Kyrgyzstan and, as such, a substantial portion of the Company's business is exposed to various degrees of political, economic and other risks and uncertainties. The Company's operations and investments may be affected by local political and economic developments, including expropriation, nationalisation, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies. Some of the Company's current and potential operations are located in or near communities that may now, or in the future, regard such an operation as having a detrimental effect on their

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

economic and social circumstances. Should this occur, it may have a material adverse impact on the viability of an operation. In addition, such an event may adversely affect the Company's ability to enter into new operations in the country.

Compliance with Laws

Orsu's operations are subject to various laws and regulations in numerous jurisdictions around the world. The costs associated with compliance with such laws and regulations may cause substantial delays and require significant capital outlays, which may have a material adverse effect on Orsu's business, financial condition and prospects.

Global Economic and Financial Markets

Market events and conditions, such as the disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and global economic conditions that was experienced during 2008 and 2009, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Notwithstanding various actions by numerous states and/or governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have in the recent past caused the broader credit markets to deteriorate and stock markets to decline. In addition, general economic indicators also deteriorated, including declined consumer sentiment, increased unemployment and declined economic growth and uncertainty about corporate earnings. These unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly resource exploration and development companies such as the Company. These or future disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Market Price of Common Shares

Worldwide securities markets have in the recent past experienced a high level of price and volume volatility and market prices of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in prices which were not necessarily related to the operating performance, underlying asset values or prospects of such companies. In addition, there has been a significant decline in the number of buyers willing to purchase such securities. As a consequence, market forces may render it difficult or impossible for the Company to secure purchasers to purchase its securities at a price which will not lead to severe dilution to existing shareholders, or at all. In addition, shareholders may realize less than the original amount invested on disposals of their Common Shares during periods of such market price decline.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Orsu, in the search for and acquisition of exploration and development rights on attractive mineral properties. Orsu's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties. There is no assurance that Orsu will compete successfully in acquiring exploration and development rights on such properties and such inability could have a material adverse effect on Orsu's business and financial condition.

Insurance Risk

Orsu faces all of the hazards and risks normally incidental to exploration and development activities, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. Orsu's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Orsu has interests. Orsu may incur a liability to third parties (in excess of any insurance coverage) arising from damage or injury. Currently, Orsu believes it has the necessary insurance policies in place that it needs to develop its exploration projects. There are also risks against which Orsu cannot insure or against which it may elect not to insure because of high premium costs.

The potential costs that could be associated with any liabilities not covered by insurance which may be, but are not, taken out or are in excess of insurance coverage actually taken out may cause substantial delays and require significant capital outlays, adversely affecting Orsu's earning and competitive position in the future and, potentially, its financial position.

Risks Relating to the Company's Conversion from Canadian GAAP to IFRS

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

The Company's financial statements for the period ended March 31, 2011 are the first set of financial statements that the Company has prepared under IFRS. As part of the transition to IFRS the Company also prepared re-stated consolidated balance sheets as at January 1, 2010, March 31, 2010 and December 31, 2010 along with re-stated consolidated statements of net income and comprehensive income for the three months ended March 31, 2010 and the year ended December 31, 2010.

Whilst the Company believes that it has designated the appropriate resources to the IFRS transition and has implemented an effective transition plan, the Company will need to continually address its post IFRS implementation by evaluating and addressing the impact of the transition to IFRS on its internal control processes, information technology controls, tax and other areas and by addressing any ongoing pronouncements and guidance issued by the Canadian Accounting Standards Board.

Key Personnel

Orsu relies on a limited number of key employees, consultants and members of senior management and there is no assurance that Orsu will be able to retain such key employees, consultants or other senior management. The loss of one or more of such key employees, consultants or members of senior management, if not replaced, could have a material adverse effect on Orsu's business and prospects. The Company does not maintain key employee insurance on any of its employees, consultants or members of senior management.

Health, safety and environment

Orsu operates in an industry which is subject to numerous health, safety and environmental laws and regulations as well as community expectations. Evolving regulatory standards and expectations can result in increased litigation and/or increased costs, all of which can have a material and adverse effect on future earnings and cash flows. The Company complies with or exceeds the requirements of all applicable environmental laws and regulations and, in jurisdictions where these are absent or inadequate, applies cost-effective technologies and management practices to ensure the protection of the environment as well as worker and community health. The Company works to make environmental management a high corporate priority and the integration of environmental policies, programmes and practices an essential element of management.

The Company cannot, however, predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulators will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory agency, could in the future require material expenditures by the Company for the installation and operation of systems and equipment for remedial measures, any or all of which could have a material adverse effect on the Company's business and financial condition.

Exchange rates

The Company's asset values and any future earnings and cash flows will be influenced by a wide variety of currencies due to the geographic diversity of the Company's areas of operation. The relative value of currencies can fluctuate widely and could have a material and adverse impact on the Company's asset values, costs, earnings and cash flows.

Foreign Subsidiaries

The Company is a foreign corporation and conducts operations through foreign subsidiaries and all of its assets are held in these subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the Company and its subsidiaries, or among its subsidiaries, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist in the future, could have an adverse impact upon the Company's business and financial condition.

Defects in Title

The Company has investigated its rights to explore and exploit and develop its projects and, to the best of its knowledge, those rights are in good standing; however, no assurance can be given that such rights will not be revoked, or significantly altered, to the detriment of the Company.

Difficulty in Enforcing Judgments

As a result of all of the Company's assets being located in a foreign jurisdiction, there will likely be difficulties in enforcing against the Company judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities legislation for a misrepresentation contained in this MD&A or otherwise.

Limitations on Foreign Control, Operation and Management of Exploration and Mining Companies

There are currently no restrictions on the foreign control, operation and management of exploration and mining companies in Kazakhstan and Kyrgyzstan. However, there can be no assurance that legal requirements as to the

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

foreign control, operation and management of such companies in such jurisdictions will not change and any such change could have a material adverse effect on Orsu's ability to conduct its operations and business interests as previously planned.

Conflicts of Interest

Certain of the directors and officers of Orsu are directors or officers of, or have significant holdings in, other mineral resource companies. Such other companies may compete with Orsu for the acquisition of mineral property rights.

Other Tax Related Risks

Canadian Departure Taxes

In 2005, Orsu was continued to the British Virgin Islands and, as a result, ceased to be a resident of Canada for purposes of the Income Tax Act (Canada) (the "Tax Act"). A corporation that ceases to be a resident of Canada for Canadian tax purposes may be liable to pay certain "departure" taxes under the Tax Act and applicable provincial or territorial legislation. Orsu believes that no such taxes were payable, as the Company had submitted tax returns and received "nil" tax assessments from the Canada Revenue Agency (the "CRA") for all periods during which the Company was a resident for the purposes of the Tax Act. However, as Orsu has not yet received a final determination in relation to its "departure", there remains a risk that the CRA or a provincial or territorial taxing authority could assert that departure taxes were payable on the basis that the fair market value (or cost) of Orsu's property was greater (or less) than that determined by Orsu or the paid-up capital of its Common Shares was less than that determined by Orsu. If the CRA and/or provincial or territorial taxing authority were successful, this could have a material adverse effect on Orsu's financial condition.

Utilization of Tax Losses and Tax Reliefs

The Company has accumulated substantial tax losses (as disclosed in note 8(b) of the Company's financial statements for the year ended December 31, 2010). Whilst the Company has satisfied all relevant deadlines and provisions for the timely and accurate reporting of the Company's transactions and resulting tax losses to the tax authorities in the relevant taxation jurisdictions, the availability and utilization of such tax losses by the Company in the future cannot be predicted with certainty due to potentially unforeseen changes in the nature of the Company's operations, unforeseen delays in the commencement of the Company's operating profits, if any, and unforeseen and adverse changes in the tax legislation of the Kyrgyz Republic or the Republic of Kazakhstan.

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 continued and future maintenance, exploration and development of the Company's properties, including the proposed work programs, anticipated milestones and the timing related thereto; development and operational plans and objectives; the Company's ability to satisfy its future expenditure obligations on mineral properties in which it has an interest; mineral resource estimates and updates relating thereto; estimated project economics, cash flow, costs, expenditures, and sources of funding; the sufficiency of the Company's current working capital for the next twelve months and estimates relating thereto; the estimated LOM, NPV and IRR for, and forecasts relating to tonnages and amounts to be mined from, and average recoveries and grades at, the Karchiga Project and/or Taldybulak as well as the other forecasts, estimates and expectations relating to the Karchiga Scoping Study, the SRK 2011 Mineral Resource Estimates, the NI 43-101 Taldybulak Scoping Study Report and the Taldybulak Scoping Study set out above in "Operational Review"; future prices and trends relating to copper, gold and molybdenum; the completion of the Karchiga Definitive Feasibility Study and the potential start of construction at the Karchiga Project (including the expected timing for same); the anticipated completion of a mineral reserves estimate for, the production of marketable concentrates from, and a reduction in future transportation costs at, the Karchiga Project; the potential for further enlarging the mineral endowment and improving metal grades at, and completion of a pre-feasibility study for, the Taldybulak deposit; the Company's belief that the results from the mineralogical study relating to the Akdjol-Tokhtazan Project suggest that gold should be metallurgically accessible; the future political and legal regimes and regulatory environments relating to the mining industry in Kyrgyzstan and/or Kazakhstan; the expected use of the net proceeds from the Offering; 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 Company's beliefs with respect to the amount and receipt of deferred consideration that may be payable to the Company by Polymetal in connection with the sale of Varvarinskoye; the significance of any individual claims by non-Ontario residents with respect to the Claim; and the Company's future growth (including new opportunities and acquisitions) and its ability to raise new funding.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

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 capital markets to meet its future expected obligations and planned activities, the Company's business (including the continued exploration and development of its properties and the methods to be employed with respect to same), the estimation of mineral resources (as set out above under "Operational Review"), the parameters and assumptions employed in the Karchiga Scoping Study, the SRK 2011 Mineral Resource Estimates, the NI 43-101 Taldybulak Scoping Study Report and the Taldybulak Scoping Study, the economy and the mineral exploration 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/ MPTs, 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, that the waiver granted by the Competent Authority covers any pre-emptive right that the Competent Authority or State has in respect of any past placements, future capital costs and cash flow discounts, anticipated mining and processing rates, the treatment of oxide materials as waste with respect to the Karchiga Project, the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner and to engage international and Kazakh companies to carry out additional studies for the Karchiga Definitive Feasibility Study and to obtain Kazakh Feasibility Study approval, the treatment of the Varvarinskoye Project as discontinued operations, assumptions relating to the Company's critical accounting policies, that the Company has identified all of the key issues to be investigated in connection with the Karchiga Definitive Feasibility Study, 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; 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 resources estimates; 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 Scoping Study, the SRK 2011 Mineral Resource Estimates, the NI 43-101 Taldybulak Scoping Study Report and/or the Taldybulak Scoping Study and that the completion of additional work on the Karchiga Project and/or Taldybulak, as the case may be, could result in changes to the estimates relating to the Karchiga Scoping Study, the SRK 2011 Mineral Resource Estimates, the NI 43-101 Taldybulak Scoping Study Report and/or the Taldybulak Scoping Study, as applicable; a delay in the completion of the Karchiga Definitive Feasibility Study; the Company's inability to obtain, maintain, renew and/or extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the regulatory frameworks in Kazakhstan and Kyrgyzstan; 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 changes in commodity prices; the inability of the Company to obtain required financing; adverse changes with respect to the Talas Joint Venture; adverse general market conditions; lack of availability at a reasonable cost or at all, of equipment or labour; 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 Company's inability to delineate additional mineral resources and delineate mineral reserves; reductions in, or no, future cash flows at Varvarinskoye; and future unforeseen liabilities and other factors including, but not limited to, those listed under "Risk and Uncertainties" in this MD&A.

Any mineral resource 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 estimates in respect of its properties are well established, by their nature mineral resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such mineral resource 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. The Karchiga Scoping Study, the NI 43-101 Taldybulak Scoping Study Report and/or the Taldybulak Scoping Study

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

are preliminary in nature, and include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions of the Karchiga Scoping Study, the NI 43-101 Taldybulak Scoping Study Report and/or the Taldybulak Scoping Study will be realized.

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 regularly visiting and reviewing 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 period ended March 31, 2011 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 22, 2011, may be accessed through SEDAR on the internet at www.sedar.com.

Orsu Metals Corporation

MD&A for the period ended March 31, 2011

Disclosure of Outstanding Share Data

The following table sets forth information concerning the outstanding securities of the Company as at June 2, 2011:

Outstanding Securities	Number in issue
Common Shares	157,696,049
Old share purchase options ⁽¹⁾	3,775,000
New share purchase options ⁽²⁾	14,375,000
Old share purchase warrants ⁽³⁾	8,602,150
New share purchase warrants ⁽⁴⁾	62,720,000

Notes:

1. For share purchase options granted prior to November 24, 2009, up to 377,500 Common Shares are issuable upon the exercise of such share purchase options.
2. For share purchase options granted after November 24, 2009, up to 14,375,000 Common Shares are issuable on exercise of such share purchase options.
3. For share purchase warrants granted prior to November 24, 2009, up to 860,215 Common Shares (subject to any further adjustments) are issuable upon the exercise of the share purchase warrants.
4. For share purchase warrants granted after November 24, 2009, up to 62,720,000 Common Shares are issuable on exercise of such share purchase warrants.

END