

Orsu Metals Corporation

Management's Discussion and Analysis of Results
June 30, 2010 and 2009

(Figures in United States Dollars)

Orsu Metals Corporation

MD&A for the period ended June 30, 2010

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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)

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The effective date of this MD&A is August 11, 2010.

INTRODUCTION

Orsu Metals Corporation ("Orsu" or the "Company", 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 and copper deposits in the Tien Shan gold belt in the Republic of Kyrgyzstan and Rudny Altai belt in the Republic of Kazakhstan. 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"). One of the Company's principal exploration assets 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 (the "Talas Project"). Approximately 100km to the south west of the Talas Project is the Tokhtazan licence area comprising the Akdjol and Tokhtazan licences (the "Tokhtazan Project"). The Company's other principal 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.

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 June 30, 2010 and related notes, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). All amounts are reported in United States Dollars unless otherwise indicated. Canadian Dollars are referred to herein as CAD\$ and British Pounds Sterling are referred to as GBP£.

QUARTER HIGHLIGHTS

- April 2010 – the Akdjol and Tokhtazan licences, comprising the Tokhtazan Project, were extended by the Ministry of Natural Resources of the Republic of Kyrgyzstan until December 31, 2012.
- April 2010 – the Company completed a public offering of units of securities (the "Units"), pursuant to which the Company sold 112,000,000 Units at a price of CAD\$0.25 per Unit (the "Offering Price") for gross proceeds of CAD\$28,000,000 (the "Offering"). Each Unit consisted of one common share of the Company (a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant being exercisable to acquire one Common Share at a price of CAD\$0.50 for a period of two years. Canaccord Financial Limited (now called Canaccord Genuity Corp. following a change of name on May 10, 2010) ("Canaccord") acted as sole manager and book runner for the Offering.
- May 2010 – the Company entered into an agreement to acquire a further 24.73% interest in the Karchiga Project by purchasing the remaining outstanding shares of Eildon Enterprises Limited ("Eildon"), which is the owner of a 94.75% interest in GRK MLD LLC ("GRK"), the holder of the exploration and production contract, as amended, for the Karchiga Project. The acquisition is subject to certain conditions, such as receipt of all necessary regulatory consents, including from the required authorities in Kazakhstan which Company has as yet not received. The Company anticipates completing the proposed acquisition during the third quarter of 2010. The purchase price of the remaining 26.1% interest in Eildon is \$6,187,500 and will be satisfied entirely in cash at the closing of the acquisition. Following the acquisition, the Company will indirectly own a 94.75% interest in the Karchiga Project.
- May 2010 – the Company completed a preliminary assessment study for the Karchiga Project. The base case scenario showed a discounted cash flow, over approximately 10 years, with a Net Present Value ("NPV") of approximately \$138 million, after applying a discount rate of 10%, and an Internal Rate of Return ("IRR") of 40.5% based on a flat copper price of \$3.00/lb.

POST QUARTER HIGHLIGHTS

- July 2010 – Orsu announced results of metallurgical test work for the Taldybulak deposit in the Republic of Kyrgyzstan. The Company believes the results of the tests indicate that a potentially sellable copper(Cu)-gold(Au)-molybdenum(Mo) concentrate grading 19%Cu, 1.30% Mo and 102g/t Au with respective recoveries of 88%, 89% and 85% can be produced from the Taldybulak sulphide ore material.
- July 2010 – Orsu received results of cyanide leach test work for samples collected from the Tokhtazan deposit in Kyrgyzstan. Two samples, representing the Northern and Southern mineralised areas of the Tokhtazan deposit were analyzed using the cyanide bottle roll leaching and percolation column tests. The NaCN bottle roll test resulted in an 83.7% recovery from a -2mm fraction over 72 hours. Column tests representing the Northern and Southern mineralised areas of the Tokhtazan deposit revealed recovery

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ranging from 85.2 to 90% over 32 days. The Company believes that these results confirm the principal amenability of the Tokhtazan ores to heap leaching extraction of gold.

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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 May 2010, Micon International Co Limited (“Micon”) completed a preliminary assessment or scoping study (May 25, 2010) for the Karchiga Project (the “Karchiga Scoping Study”). The Karchiga Scoping Study is based on the previously completed indicated and inferred mineral resource estimates prepared by Wardell Armstrong International Ltd. (“WAI”). WAI's complete technical report is entitled “Updated Report on the Karchiga Property held by Orsu Metals Corporation, Kazakhstan”, is dated March 22, 2010 and was prepared by Mark L Owen and Liv S Carroll, each of whom was an employee of WAI at the time of the report and a “qualified person” within the meaning of National Instrument 43-101 (the “Karchiga Technical Report”). Both the Karchiga Scoping Study and the Karchiga Technical Report can be viewed under the Company's profile at SEDAR (www.sedar.com). 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 above-mentioned technical reports.
- **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 including: the Taldybulak, Kentash, Barkol and Korgontash licences. The Taldybulak copper-gold-molybdenum porphyry deposit is the primary exploration area within the Talas Project. In March 2010, WAI completed an independent audit and review of an updated mineral resource estimate for the Taldybulak licence area of the Talas Project, from which WAI completed its own mineral resource estimate. WAI's complete technical report entitled “Updated Technical Report on the Taldybulak Property Held by Orsu Metals Corporation, Kyrgyzstan”, dated March 22, 2010 and prepared by Mark L Owen and Jason C Osmond, can be viewed under the Company's profile at SEDAR (www.sedar.com). Further discussion about the Talas Project can be found on page 10 of this MD&A. Certain information contained in this MD&A regarding the Talas Project has been derived from, and additional information relating to the Talas Project can be found in, the above mentioned technical report.

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

- **Tokhtazan Project, Kyrgyzstan** - The 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 Tokhtazan Project can be found on page 14 of this MD&A.

Qualified Person

Except for the technical information derived from the technical reports referred to in this MD&A, Mr Matthew Boyes, a “qualified person” (as such term is defined in National Instrument 43-101), reviewed and approved the technical information in this MD&A. Mr Boyes verified the data disclosed in this MD&A in respect of exploration results, including sampling, analytical and test data, underlying such information. Mr. Boyes was the Mineral Resources Manager for Orsu until July 31, 2010. Mr. Boyes is no longer employed by the Company.

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OPERATIONAL REVIEW

ORSU'S COPPER-GOLD EXPLORATION LICENCES IN KYRGYZSTAN & KAZAKHSTAN

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

The Company shall use its current working capital resources, including the funds raised from the Offering, to satisfy the Company's commitments for 2010 and as described below in respect of its mineral exploration properties.

KARCHIGA, 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 terrain, the host of numerous world class 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 deposit at the Karchiga Project was originally exploited by ancient artisans and was re-discovered in 1913 and then explored by Soviet geologists during the 1940's and 50's. The Soviet era exploration included more than 100 cored drill holes and an exploration shaft into the Central ore body.

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 First Amendment and the Second Amendment (each 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 Ministry of Industry and New Technologies of Kazakhstan ("MINT"). 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") 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 both the First Amendment and the Second Amendment were submitted to the Former MEMR by the applicable deadline, their execution and registration by the Former MEMR occurred after the deadline for doing so. Reference should be made to the heading "Risks relating to the Karchiga Project Contract" under "Risks and Uncertainties" for a discussion of the potential implications of the delay in the execution and registration of the First Amendment and Second Amendment.

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

The expenditure obligations of GRK on the Karchiga Project are outlined in Table 1.

Table 1: Karchiga Project Contract Expenditure (2007-2009) and Obligations (2010-2012)

Year	Expenditure/Obligations
2007	\$807,000
2008	\$2,700,000
2009	\$1,000,000
2010 ⁽¹⁾	\$185,000
2011 ⁽¹⁾	\$545,000
2012 ⁽¹⁾	\$80,000

⁽¹⁾ A condition of the Second Amendment is that the expenditure obligation of the Company on the Karchiga Project between 2010 and 2012 amounts to \$850,000.

On May 20, 2010 the Company entered into an agreement to acquire a further 24.73% interest in the Karchiga Project by purchasing the remaining outstanding shares of Eildon, which is the owner of a 94.75% interest in GRK, the holder of the exploration and production contract, as amended, for the Karchiga Project. The acquisition is subject to certain conditions, such as receipt of all necessary regulatory consents, including from the required authorities in Kazakhstan. The Company anticipates completing the proposed acquisition during the third quarter of 2010. The purchase price of the remaining 26.1% interest in Eildon is \$6,187,500 and will be

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satisfied entirely in cash at the closing of the acquisition. Following the acquisition, the Company will indirectly own a 94.75% interest in the Karchiga Project.

2010 Mineral Resource Estimates

A National Instrument 43-101 mineral resource estimate for the Karchiga Project was reported in the Karchiga Technical Report, a copy of which has been filed under the Company's profile on SEDAR (www.sedar.com).

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 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.*

Karchiga Scoping Study

On May 25, 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, which was prepared in accordance with the requirements of Canadian National Instrument 43-101 and is entitled "Preliminary Assessment of The Karchiga Copper Project, East Kazakhstan Region, Kazakhstan", is dated May 25, 2010 and 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 National Instrument 43-101 and an employee of Micon or WAI or, in the case of Liv S Carroll, a former employee of WAI), is available under the Company's profile on SEDAR (www.sedar.com).

The Karchiga Scoping Study, including pit optimization, contemplates mining a total of 7,580,389 tonnes ("t") grading 1.94% copper, containing 146,778t of copper metal. 86% of the tonnage totaling 6,487,556t 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 mineralised feed the project life exceeds 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 base case economic analysis indicates a discounted cash flow, over approximately 10 years, NPV of approximately \$138 million and an 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.

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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 (%)	164.7	58.8	191.4	51.6	21.3	15.4
70%	156.0	51.4	173.8	47.9	60.4	24.4
80%	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 optimisation studies will be required as part of a definitive feasibility study.

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 (\$/t 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

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Table 6: Base Case LOM Financial Highlights

Criteria	Unit	Value
Net Revenue	\$ million	765.42
Net Smelter Return	%	87.3
Production Cost	\$/t of ore	30.70
Operating Cost	\$/t 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

The Karchiga Scoping Study is based on 100% of the Karchiga deposit.

2010 Exploration Programme

Orsu is planning to undertake in-fill drilling during 2010 aiming to convert Inferred resources into Indicated resources in the North East lode of the Karchiga deposit. The planned programme will consist of 21 to 24 drill holes totalling 2,300-2,500m. In addition, two 150 m drill holes (for a total of 300 m) will be drilled in the other parts of the Karchiga licence area to test a geochemical anomaly identified during the 2008 geochemical survey.

TALAS EXPLORATION LICENCES, KYRGYZSTAN

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 copper-gold porphyries, such as Kalmakyr and Dalnee in nearby Uzbekistan. Table 7 summarizes the tenure for the licences in the Talas Project held by Talas Copper Gold LLC ("TCG LLC").

Table 7

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

For avoidance of doubt;

1. The Taldybulak copper-gold-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 LLC, 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 209.5 km², 2 km² is covered by the Chonur licence which is not controlled by TCG LLC.

Licence Locations

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.

The Taldybulak deposit is the main focus of exploration activity within the Taldybulak licence 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 license and covers an area of 209.5km².

Gold Fields Exploration Partnership

The Talas Project is subject to a joint venture agreement dated December 3, 2008 as amended on August 14, 2009 (the "JV Agreement") between the Company, Gold Fields Limited, through its subsidiary Gold Fields Orogen Holding BVI Limited ("Gold Fields"), Lero, TCG LLC, the registered owner of the Talas Project, and Kami Associates Ltd. (the "Talas Joint Venture Company"), the 100% owner of TCG LLC.

In February 2010, Gold Fields earned a 60% interest in the Talas Joint Venture Company pursuant to the terms of the JV Agreement by funding exploration expenditures of CAD\$10 million. The Company retained a 40% interest in the Talas Joint Venture Company.

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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.

Pursuant to the JV Agreement, Gold Fields is the project operator for the Talas Project. 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 Talas Joint Venture 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

Project History

In September 2006, Lero acquired 100% of the Taldybulak licence which hosts the Taldybulak copper-gold 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 early 2010, WAI was contracted by Orsu to review and audit an updated mineral resource estimate in relation to the Talas Project, from which WAI completed its own mineral resource estimate. A National Instrument 43-101 mineral resource estimate for the Taldybulak-Talas licence area of the Talas Project was reported during March 2010 (Table 8) in the report titled "Updated Technical Report on the Taldybulak property held by Orsu Metals Corporation, Kyrgyzstan", dated March 22, 2010 and prepared by Jason C Osmond and Mark L Owen (each of whom is an employee of WAI and a "qualified person" within the meaning of National Instrument 43-101), a copy of which has been filed and is available under the Company's profile on SEDAR at www.sedar.com. The Indicated 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 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 notable difference in this mineral resource estimate as compared to the previous mineral resource estimates is the recognition of the potentially economic molybdenum mineralisation at Taldybulak, which classifies this prospect as a gold-copper-molybdenum porphyry system.

Table 8: Taldybulak-Talas Project, Mineral Resource Estimate (WAI, March 22, 2010)

Indicated Resources across all domains							
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

Inferred Resources across all domains							
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 exclusive 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, which have been used to restrict the reported mineral resources.*

Exploration Update

For the Talas Project, Orsu and Gold Fields agreed a 2010 exploration programme and an expenditure budget of \$2.45 million. As per the terms of the JV Agreement, the Company's 40% pro rata share is approximately \$979,000. For the six months ended June 30 2010, the Company incurred expenditure of \$338,000 for the Talas Project. The majority of the license expenditures are expected to be incurred in connection with infill drilling in the western area of the Taldybulak deposit with the 5500m 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

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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. Due to the current political uncertainties in Kyrgyzstan (see page 28 "Risks Relating to the Republic of Kyrgyzstan") the proposed drilling work has been temporarily suspended. Resumption of drilling activity on the Taldybulak licence is scheduled to commence after parliamentary elections scheduled for October 10, 2010 are held (see page 28 "Risks Relating to the Republic of Kyrgyzstan"). The budget also includes the funds necessary to complete the ongoing scoping study works by Coffey Mining Pty Ltd, Perth, Australia, plus further metallurgical test work and a detailed geotechnical study of the hanging wall and footwall rock material immediately adjacent to the deposit. During the second quarter of 2010, work continued on the scoping study works and the metallurgical test work of the Taldybulak ores was completed.

Final test results of samples in relation to metallurgical test work for the Talas Project have been received. The metallurgical study was conducted at the Dawson Metallurgical Laboratories (which is independent of Orsu), based out of Salt Lake City, in the state of Utah of the United States.

The metallurgical test work was carried out in two stages:

1. Test work was carried out on ten initial composite samples and four additional composite sulphide samples taken from drill core samples at two metre intervals. The initial ten samples consisted of two oxide and eight sulphide samples. The composites also represented different copper ore types with high or low grades of gold or molybdenum.
2. A master sample was prepared from five selected composites for locked cycle testing.

The ten initial composites had an average Cu grade of 0.256% Cu, average Au grade of 1.1 g/t Au, and average Mo grade of 0.013% Mo. Free gold was observed in seven of the ten samples (75 microns). The main oxide Cu mineral was malachite and the main sulphide copper mineral was chalcopyrite and some bornite. Fine sulphide dissemination was observed in most samples. The ten composites revealed a grade of 0.041 g/t Pt and 0.003% As.

The four additional sulphide composites were lower grade with an average of 0.19% Cu, an average of 0.465 g/t Au and 0.015% Mo. The main copper minerals were chalcopyrite with some bornite and some fine (<34 microns) grained copper minerals are locked in the silica gangue. The four additional composites were also low in 0.004 g/t Pt and <0.002% As.

Characterisation test work was carried out on the 10 initial samples and included:

- Bond ball mill work index test
- Whole ore acid (H₂SO₄) leaching
- Whole ore cyanide leaching
- Bulk rougher flotation tests
- Selected composite rougher concentration regrind and 3 stage cleaner tests

Characterisation test work on the four additional sulphide samples included:

- Bond ball work index tests
- Whole ore NaCN leach tests
- Bulk sulphide rougher flotation tests

Test work for the master sample included:

- Initial locked cycle test using high collector dosages with Cu and Mo separation test
- Two batch tests at half and quarter dosage levels with Cu and Mo separation test
- Second locked cycle test with altered dosage levels with Cu and Mo separation test
- Preliminary gravity centrifugal concentration test
- Collector screening series at reduced collector dosages
- Grind series test
- Rougher flotation test with pulp density evaluation

The test results (from all fourteen samples) are as follows:

Ball Mill Work Index

In general, all the samples would be regarded as hard (closing size 100% passing 106 microns and product average 80% passing 72 microns).

Two oxide samples averaged 17 kWh/t.

Twelve sulphide samples averaged 20 kWh/t.

Whole Ore Acid Leach

Oxides samples averaged copper extraction of 66% and was directly proportional to the amount of oxide copper in composite, with average heads 0.32% Cu(t) & 0.21% Cu(as).

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Sulphide samples averaged 4% Cu extraction, which was not proportional to oxide Cu in composite, with average heads 0.24% Cu(t) & 0.02% Cu(as).

Whole Ore NaCN Leach

Oxide samples achieved an average gold extraction of 98% and an average Cu extraction of 44% with average head grades of 0.54 g/t Au and 0.33% Cu(t).

Sulphide samples achieved an average gold extraction of 94% and an average Cu extraction of 14% with average head grades of 1.12g/t Au and 0.23% Cu(t).

Bulk Rougher Flotation

For oxides samples, sulphide and oxide flotation achieved a 60% Cu recovery, 70% Au recovery and 73% Mo recovery, with average head grades of 0.32% Cu, 0.74g/t Au & 0.004% Mo

For sulphide samples, rougher flotation recoveries averaged 92% Cu, 85% Au & 90% Mo, with average heads 0.24% Cu, 0.98g/t Au & 0.015% Mo.

Locked Cycle Testing

A master composite was made from five (5) selected composites. The head grade of the master composite was 0.19% Cu, 0.013% Mo and 0.93 g/t Au. Initial locked cycle test work at high collector dosages provided bulk concentrate recoveries of 88% Cu, 89% Mo and 85% Au, but Cu/Mo separation testing could not make a selective high grade Mo concentrate. Collector dosages were reduced and a second locked cycle test was conducted. Bulk concentrate recoveries were 86% Cu, 87% Mo and 81% Au and Cu/Mo separation test work was more selective. Copper, molybdenum and gold recoveries for the 3rd cleaner concentrate were 88%, 89% and 85%, respectively at grades of 19% Cu, 1.30% Mo and 102 g/t Au.

The Company believes that the results of the tests indicate that a potentially sellable copper-gold-molybdenum concentrate grading 19%Cu, 1.30% Mo and 102g/t Au with respective recoveries of 88%, 89% and 85% can be produced from the Taldybulak sulphide ore material. Additional optimisation work on leaching of the floatation tailings fraction and floatation of oxidised material is planned for the third and fourth quarter of 2010.

BARKOL LICENCE, KYRGYZSTAN

Licence Information

The 209.5km² Barkol exploration licence was granted to the Company in March 2007. Located immediately to the west of the Taldybulak licence, it was acquired at no cost to the Company. The Barkol licence contains numerous occurrences of known mineralisation, with one small copper-gold-molybdenum vein deposit occurring within a 2km² excision (the Chonur licence).

Exploration Update

TCG LLC undertook some limited drill testing and further geophysical investigations on the licence area. Significant thicknesses of post-mineral Devonian volcanics overlie the north eastern part of the licence. Scout core drilling was performed in 2009 with no significant results received and the Company will not follow up exploration in these already tested areas. Plans are in progress for geophysical surveys and drilling to be conducted on the Barkol License commencing September 1, 2010.

KORGONTASH LICENCE, KYRGYZSTAN

Licence Information

The 66km² Korgontash licence area is located in the easternmost part of the copper-gold metallogenic trend on the southern slope of the Kyrgyz ridge. The Korgontash licence hosts the Tokhtonnisai copper-gold skarn prospect and northern part of the Aktash copper-gold skarn prospect, whose larger part occurs within the 2km² exclusion area in the central part of the licence. This exclusion area is covered by the Aktash licence, controlled by Turan Metals Ltd, a Kyrgyz-Kazakh joint-venture company.

Exploration Update

In 2009, TCG LLC drilled one hole at the Tokhtonnisai prospect to test the extent of Cu-Au mineralization to depth. Results have been received and considered not to be of material value as no intervals of potentially economically extractable grade material were intersected.

KENTASH LICENCE, KYRGYZSTAN

Exploration Update

Limited work has been performed on the Kentash licence to date. The works included soil and chip geochemical sampling and assessment of anomalies. As part of the regional programme, the Kentash license, as well as all other Talas licenses, was covered by the regional ground gravity survey.

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TOKHTAZAN GROUP OF LICENCES, KYRGYZSTAN

Licence Information

The Tokhtazan exploration licence area contains the Akdjol (108km²) and Tokhtazan (4km²) licences, both of which are held by Oriel in Kyrgyzstan LLC ("OIK"), 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 Republic of Kyrgyzstan until 31 December 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 Akjol licence are outlined in Table 9.

Table 9: Tokhtazan and Akdjol licences Obligations (2010-2012)

Year	Tokhtazan Licence Obligations	Akdjol Licence Obligations
2010	\$220,000	\$110,000
2011	\$166,000	\$156,000
2012	\$147,000	\$147,000

Exploration Update

The Company conducted metallurgical test work at the Stewart Assayers Laboratory (which is independent of Orsu) in Kyrgyzstan. Two samples, representing the Northern (TH-1; 344.5 kg) and Southern (TH-2; 333.3 kg) mineralised areas of the Tokhtazan deposit were analyzed using the cyanide bottle roll leaching and percolation column tests. The average grade of TH-1 was 2.35 g/t Au, whereas the average grade of TH-2 was 3.17 g/t Au. Samples were made up of primarily oxidized material collected from drill road cuts at surface.

The NaCN bottle roll test showed a 83.7% recovery from -2mm fraction over 72 hours.

The column test of TH-1 (-25 mm fraction) revealed 89.5 to 90% recovery during 32 days. The NaCN consumption was 0.381 kg/t to 0.334 kg/t of ore. Lime consumption was 2.10 kg/t of ore.

The column test of TH-2 (-25 mm fraction) revealed 85.2% to 86.4% recovery during 32 days. The NaCN consumption was 0.331 kg/t to 0.348 kg/t of ore. Lime consumption was 2.02 kg/t of ore.

The Company believes that these results confirm the principal amenability of the Tokhtazan ores to heap leaching extraction of gold.

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RESULTS OF OPERATIONS (SELECTED QUARTERLY INFORMATION)

(Prepared in accordance with Canadian GAAP)

FOR THE QUARTER ENDED JUNE 30, 2010 AND SUMMARY OF QUARTERLY RESULTS

Expressed in US\$000s except where indicated	June 30 2010 (unaudited)	March 31 2010 (unaudited)	December 31 2009 (unaudited)	September 30 2009 (unaudited)
Loss from continuing operations	(3,042)	(1,611)	(1,871)	(2,661)
(Loss) from discontinued operations	-	-	(10,584)	(21,076)
Net gain on disposal of discontinued operations	-	-	160,812	-
(Loss) / Income and comprehensive (loss) / income for the period	(3,042)	(1,611)	148,357	(23,737)
Sales revenues (included within results of discontinued operations)	-	-	6,867	22,632
(Loss)/ income per common share (in US\$/share) (see note 1)				
(Loss) per common share from continuing operations	\$(0.04)	\$(0.04)	\$(0.04)	\$(0.06)
(Loss) / income per common share	\$(0.04)	\$(0.04)	\$3.25	\$(0.52)
Weighted average number of common shares – basic and diluted (in thousands)	73,170	45,696	45,696	45,696

FOR THE QUARTER ENDED JUNE 30, 2009 AND SUMMARY OF QUARTERLY RESULTS

Expressed in US\$000s except where indicated	June 30 2009 (unaudited)	March 31 2009 (unaudited)	December 31 2008 (unaudited)	September 30 2008 (unaudited)
Loss from continuing operations	(3,050)	(3,030)	(88,681)	(5,753)
Profit/ (loss) from discontinued operations	5,755	(25,255)	(174,911)	1,720
Income/ (loss) and comprehensive income/ (loss) for the period	2,705	(28,285)	(263,592)	(4,033)
Sales revenues (included within results of discontinued operations)	32,495	9,796	11,622	15,512
(Loss)/ income per common share (in US\$/share) (see note 1)				
Loss per common share from continuing operations	\$(0.07)	\$(0.07)	\$(2.30)	\$(0.19)
Income/ (loss) per common share	\$0.06	\$(0.62)	\$(6.83)	\$(0.13)
Weighted average number of common shares – basic and diluted (in thousands)	45,696	45,696	38,598	31,015

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

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FINANCIAL REVIEW

During the six months to June 30, 2010 the Company continued with the exploration and development of its Kyrgyzstan and Kazakhstan-based exploration projects. In February 2010, Gold Fields earned a 60% interest in the Talas Joint Venture Company and the Company has accounted for its remaining 40% interest in the Talas Joint Venture Company in the financial statements for the period ended June 30, 2010 under the equity method of accounting, as defined by the Accounting Standards Board Accounting Guideline 15 'Consolidation of Variable Interest Entities' (further information relating to this accounting treatment can be found below under the heading "Equity Investment in the Talas Joint Venture").

On April 16, 2010 the Company completed the public offering and sale of 112 million Units at a price of CAD\$0.25 per Unit raising gross proceeds of CAD\$28 million, \$27.6 million. Each Unit consisted of one Common Share of the Company and one Warrant, equivalent to 56 million Warrants. The Company incurred legal and professional fees of \$2.4 million and issued 6.7 million non-transferrable warrants (the "Broker Warrants") to Canaccord, who acted as sole manager and book runner for the Offering (further details can be found under the section "Financial position as at June 30, 2010 and December 31, 2009").

For the six months to June 30, 2010 the Company recorded a loss from continuing operations of \$4.7 million.

RESULTS FOR THE QUARTERS ENDED JUNE 30, 2010 AND JUNE 30, 2009

For the three months ended June 30, 2010 the Company incurred a loss from continuing operations of \$3.0 million, compared with a loss of \$3.1 million for the three months ended June 30, 2009.

The loss of \$3.0 million for the three months ended June 30, 2010 consisted of administrative costs of \$1.3 million (compared with \$2.5 million for the three months to June 30, 2009), exploration costs of \$0.2 million (compared with \$0.2 million for the three months to June 30, 2009), stock-based compensation charges of \$0.7 million (compared with a charge of \$0.8 million for the three months to June 30, 2009) and a net foreign exchange loss of \$0.8 million (compared with a \$0.4 million exchange gain for the three months to June 30, 2009).

The \$1.2 million year-on-year decrease in the Company's administrative costs was due primarily to lower staff costs of \$0.4 million, as a result of reduced head office non-operational headcount and salaries, and a \$0.8 million reduction in legal and professional charges, reflecting legal, professional and other advisory fees incurred during the quarter ended June 30, 2009 in relation to the re-financing negotiations and subsequent disposition costs for the Vavarinskoye Project.

Exploration costs for the three months to June 30, 2010 of \$0.2 million were the same as the three months to June 30, 2009. The Company expensed its 40% pro rata share of the Talas Project joint venture operating losses incurred during the three months to June 30, 2010 of \$0.2 million. For the same period in 2009 the Talas Project joint venture had been fully funded by Gold Fields and, for this reason, had no impact on the results of the Company for that period, however the Company had incurred exploration expenditures of \$0.2 million on the Karchiga Project (compared to nil for the three months ended June 30, 2010).

The share based compensation charge of \$0.7 million was \$0.1 million lower than for the three months to June 30, 2009. The charge for the three months to June 30, 2010 consisted of \$0.3 million for options that vested on June 30, 2010, and a further \$0.4 million allocated charge for 13,250,000 options that were granted in April 2010, and will vest between October 2010 and April 2012. The charge for the three months ended June 30, 2009 of \$0.8 million comprised a charge of \$0.4 million for options that vested on June 30, 2009 and a \$0.4 million allocated charge for options that vested between December 31, 2009 and June 30, 2010. No options were granted during the three months to June 30, 2009.

Foreign exchange losses during the three months to June 30, 2010 were \$0.8 million compared to an exchange gain of \$0.4 million for the three months to June 30, 2009. The foreign exchange loss arose principally due to the translation of the Offering of CAD\$28.0 million from a CAD\$ to US\$ exchange rate of CAD\$1.0128 as at April 16, 2010, to CAD\$1.0627 as at June 30, 2010 which resulted in a foreign exchange loss of \$1.2 million. This loss was partially offset by foreign exchange gains during the three months to June 30, 2010 made up of a \$0.2 million exchange gains from the conversion of CAD\$12.2 million to \$11.7 million and an exchange gain of \$0.2 million from the conversion of CAD\$3.8 million to GBP£2.5 million.

For the three months ended June 30, 2009, the Company booked foreign exchange gains of \$0.3 million. The reason for the exchange gain was that as at June 30, 2009 the Company, through its subsidiary Lero, held net Canadian Dollar current assets. In the three months to June 30, 2009 the CAD\$ to US\$ exchange rate went from CAD\$1.2582 as at March 31, 2009 to CAD\$1.1614 and as a result the Company booked a foreign exchange gain of \$0.4 million.

In respect of the Company's cash flows, there was an increase in cash and cash equivalents during the three months to June 30, 2010 of \$22.9 million, compared with a decrease of \$1.0 million during the three months to June 30, 2009. The increase of \$22.9 million during the three months to June 30 2010 was due primarily to the receipt of the net proceeds from the Offering in April 2010 of \$25.2 million partially offset by funding for the Talas Project of \$0.3 million and corporate expenditures of \$2.0 million.

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The decrease in cash and cash equivalents for the three months to June 30, 2009 of \$1.0 million was due to higher head office salary costs, higher legal and professional costs incurred in respect of the Varvarinskoye Project of \$0.7 million and capital expenditures of \$0.3 million.

RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND JUNE 30, 2009

For the six months ended June 30, 2010 the Company incurred a loss from continuing operations of \$4.7 million, compared with a loss of \$6.1 million for the six months ended June 30, 2009.

The loss of \$4.7 million for the six months ended June 30, 2010 consisted of administrative costs of \$2.3 million (compared with \$4.1 million for the six months to June 30, 2009), exploration costs of \$0.7 million (compared with \$0.4 million for the six months to June 30, 2009), a stock-based compensation charge of \$0.8 million (compared with a charge of \$1.6 million for the six months to June 30, 2009) and a net foreign exchange loss of \$0.9 million (compared to nil for the six months ended June 30, 2009).

The \$1.8 million year-on-year decrease in the Company's administrative costs was due primarily to lower staff costs of \$0.6 million, as a result of reduced head office non-operational headcount and salaries, and a \$1.2 million reduction in legal and professional charges, reflecting legal, professional and other advisory fees incurred during the quarter ended June 30, 2009 in relation to the then ongoing re-financing negotiations and disposition costs for the Varvarinskoye Project.

Exploration costs for the six months to June 30, 2010 of \$0.6 million were \$0.3 million higher than for the six months to June 30, 2009. This increase is primarily due to the Company expensing its 40% pro-rata share of the Talas Project joint venture operating losses incurred during the six months to June 30, 2010 of \$0.4 million. For the same period in 2009 the Talas Project joint venture had been fully funded by Gold Fields and, for this reason, had no impact on the results of the Company for that period. This was partially offset by a reduction in exploration expenditure for the Karchiga Project of \$0.1 million.

The share based compensation charge of \$0.8 million was \$0.8 million lower than for the six months to June 30, 2009. The charge for the six months to June 30, 2010 consists of \$0.3 million for options that vested on June 30, 2010 and a \$0.5 million allocated charge for 13,250,000 options that were granted in April 2010 and will vest between October 2010 and April 2012.

The charge for the six months ended June 30, 2009 of \$1.6 million consisted of \$0.7 million for options that vested on June 30, 2009 and a \$0.9 million allocated charge for options that vested between December 31, 2009 and June 30, 2010. No options were granted during the six months to June 30, 2009.

Foreign exchange losses were \$0.8 million higher than for the six months to June 30, 2009. The foreign exchange loss arose principally due to the translation of the Offering of CAD\$28.0 million from a CAD\$ to US\$ exchange rate of CAD\$1.0128, as at April 16, 2010, to CAD\$1.0627 as at June 30, 2010 which resulted in a foreign exchange loss of \$1.2 million. This loss was partially offset by foreign exchange gains during the three months to June 30, 2010 made up of a \$0.2 million exchange gain from the conversion of CAD\$12.2 million to \$11.7 million and, an exchange gain of \$0.2 million from the conversion of CAD\$3.8 million to GBP£2.5 million.

In respect of the Company's cash flows, the increase in cash and cash equivalents for the six months ended June 30, 2010 of \$21.5 million was due primarily to the receipt of net proceeds from the Offering in April 2010, of \$25.2 million and royalty income in respect of the Company's investment in the Tasbulat Oil Corporation of \$0.2 million partially offset by funding for the Talas Project of \$0.3 million, and corporate expenditure of \$3.6 million.

The decrease in cash and cash equivalents during the six months to June 30, 2009 of \$3.9 million was higher due to higher head office salary costs, higher legal and professional costs incurred in respect of the Varvarinskoye Project, the absence of royalty income in respect of the Company's investment in the Tasbulat Oil Corporation and expenditure on capital equipment.

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FINANCIAL POSITION AS AT JUNE 30, 2010 AND DECEMBER 31, 2009

As at June 30, 2010 the Company held net assets of \$46.3 million, compared with \$24.8 million as at December 31, 2009 representing an increase of \$21.5 million.

The increase of \$21.5 million in net assets was due mainly to the receipt of the net proceeds from the Offering from April 16, 2010 of CAD\$25.7 million, \$25.2 million and royalty income in respect of the Company's investment in the Tasbulat Oil Corporation of \$0.2 million. This was partially offset by the Company's corporate expenses, legal and professional costs and funding of its exploration projects totalling \$3.9 million.

The Company's ongoing funding requirements are for its corporate overheads and the continuation of its mineral property and project licence obligations, including funding its 40% pro-rata share of the Talas Project exploration budget requirements.

As at December 31, 2009 the Company held a 100% interest in the Talas Project and had included the carrying value of the Talas exploration property of \$13 million, within its "Exploration Properties" assets. As at June 30, 2010 the Company reclassified the carrying value of the Talas exploration property investment as part of its "Equity investment in the Talas Joint Venture" (see "Equity investment in the Talas Joint Venture" below).

As a result of the Offering April 16, 2010 the Company sold 112 million Units at a price of CAD\$0.25 per Unit raising gross proceeds of CAD\$28 million, or \$27.6 million. Each Unit consisted of one common share of the Company and one half of one common share purchase warrant, equivalent to 56 million Warrants. In relation to the Offering the Company incurred share issue costs totalling \$2.4 million which was made up of a fee of approximately CAD\$1.7 million, US\$1.7 million, equivalent to 6% of the value of the Offering, to Canaccord (see note on "Transactions with Related Parties") and legal and professional fees of \$0.7 million. In addition the Company granted 6,720,000 Broker warrants, equal in number to 6% of the total number of Units sold at an exercise price of CAD\$0.25 per Broker warrant, to Canaccord with a calculated a fair value using the Black Scholes model of \$1.1 million. In the financial statements as at June 30, 2010 the Company has allocated the gross proceeds of \$27.6 million net of the share issue costs, \$2.4 million, and the Broker Warrants, \$1.1 million, on a pro rata basis between Share Capital and Share Purchase Warrants.

As at June 30, 2010 warrants valued in total at \$30.1 million relating to previous equity and debt fund raising expired. The Company accounted for these in the financial statements as at June 30, 2010 by transferring \$30.1 million from Share Purchase Warrants to Contributed Surplus.

EQUITY INVESTMENT IN THE TALAS JOINT VENTURE

As at December 31, 2009 the Company held a 100% interest in the Talas Joint Venture Company and as such had fully consolidated the results of the Talas Joint Venture Company in the Company's financial statements as at that date.

In February 2010, Gold Fields earned a 60% interest in the Talas Joint Venture Company and, in doing so, gained the ability to unilaterally control the operational, financial and investment decisions of the Talas Joint Venture Company. For this reason the Company's 40% interest in the Talas Joint Venture Company met the criteria of a "Variable Interest Entity", as defined by the Accounting Standards Board in Accounting Guideline 15, Consolidation of Variable Interest Entities, and has been accounted for under the equity method for the period ended June 30, 2010 (further information relating to this accounting treatment can be found under the heading "Equity Investment in the Talas Joint Venture" in the financial statements of the Company).

A summary of the carrying value of the Company's investment in the Talas Joint Venture as at June 30, 2010 is set out below:

	\$
Value of investment at as at January 1, 2010	13,384
Funding provided by the Company during the six months ended June 30, 2010	338
Less: Company's 40% share of losses for the six months ended June 30, 2010	(386)
	<hr/>
Carrying value of the Company's investment as at June 30, 2010	<u>13,336</u>

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LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2010 the Company's main source of liquidity was unrestricted cash of \$24.9 million, compared with \$3.4 million as at December 31, 2009.

The Company measures its consolidated working capital as comprising free cash, prepayments and other receivables, less accounts payable and accrued liabilities. As at June 30, 2010, the Company's consolidated working capital was \$24.5 million compared with a consolidated working capital of \$2.8 million as at December 31, 2009.

As a result of the completion by the Company of the Offering on April 16, 2010 pursuant to which gross proceeds of CAD\$28 million were raised, the Company's liquidity has been significantly improved. The net proceeds of the Offering were CAD\$25.7 million and are being used towards the maintenance of the Company's interests in, and for the further exploration and the development of, the Company's mineral properties in the Republic of Kazakhstan and the Republic of Kyrgyzstan, to pursue future growth opportunities (which may include acquiring one or more additional assets), if and when such opportunities arise, and for general corporate and working capital purposes.

The Company holds its available cash in short-term (less than 3 months) 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 period ended June 30, 2010.

While the Company's present liquidity has improved during the second quarter of 2010, due to the completion by the Company of the Offering on April 16, 2010, 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 commitments of the Company as at June 30, 2010:

	2010	2011	2012	2013	2014 +	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Lease obligations	176	352	352	352	1,056	2,288

The Company's lease obligations are for its London head office property rents payable under a lease agreement expiring in 2016. The rent is subject to a review in 2011 which may affect the future lease obligations from 2011 onwards. There have been no defaults in any of the Company's lease commitments.

DISCONTINUED OPERATIONS

On October 30, 2009 the Company completed the sale of the Varvarinskoye Project to Polymetal. The Company has, in accordance with Canadian GAAP CICA 3475, reported the net loss of \$19.5 million incurred during the six months ended June 30, 2009 associated with the Varvarinskoye Project as discontinued operations.

Following the disposition of the Varvarinskoye Project, the Company's operations no longer include commercial production and the Company has focused its resources on the exploration of its exploration properties and projects in Kyrgyzstan and Kazakhstan, which include the Talas Project.

The key effects of the disposal of the Varvarinskoye Project on the Company's current operations can be summarized as follows:

- The Company is no longer subject to the operating profits and losses and cash flows arising from the extraction and processing of ores and the sale of gold and copper metal;
- The Company is no longer exposed to the risk of further impairment write offs relating to the Varvarinskoye assets;

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- The Company is no longer exposed to the gains and losses arising from the mark to market revaluation of the derivative (gold forward sale) contracts;
- The Company and its remaining subsidiaries no longer have any outstanding long-term debt or hedging liabilities and obligations; and
- The Company's operations no longer include commercial production and the Company has focused its resources on its exploration properties and projects in Kyrgyzstan and Kazakhstan.

TRANSACTIONS WITH RELATED PARTIES

Mr. Massimo Carello, a member of the board of directors of the Company, is also a director of Canaccord. In connection with providing its services as sole manager and book runner for the Offering Canaccord received a fee equal to CAD\$1,680,000, reimbursement for expenses of the Offering related to legal and other professional service in the amount of CAD\$303,094 and, granted 6,720,000 Broker Warrants for a period of two years following the closing date of the Offering. The fees paid, reimbursements made and Broker warrants granted to Canaccord were considered to be based on normal commercial terms.

No other transactions with related parties transactions occurred during the six months ended June 30, 2010.

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter of 2011, with restatement of comparative information presented.

The conversion to IFRS will impact the Company’s accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency, certain contractual arrangements and compensation arrangements. The Company has designated the appropriate resources to the transition to develop an effective plan and will continue to assess resource and training requirements as the transition progresses.

KEY STEPS TO IFRS CONVERSION

The Company has identified the following four phases of its conversion plan: scoping and planning, detailed assessment, operations implementation and post implementation.

The scoping and planning phase has involved establishing a project management effort, mobilizing organizational support for the conversion plan, identifying major areas affected, and developing an implementation plan and communication strategy. The detailed assessment phase will result in accounting policy decisions, quantification of financial statement impact, impact on disclosures, identification of business processes and resources impacted. The operations implementation phase includes the preparation of draft financial statements and design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010. Ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures will continue. Post implementation will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond.

IFRS CONVERSION PROGRESS

As at the date of this MD&A, the Company has made significant progress in the scoping and planning phase of the changeover plan which is estimated to be completed by the end of September 2010 (the Company previously estimated this to be May 31, 2010). The short delay in finalizing the scoping and planning phase of the Company’s changeover plan is not expected to significantly impact the timing of the remaining phases of the changeover plan. PricewaterhouseCoopers, “PWC”, is continuing to advise the Company regarding the completion of the scoping and planning phase.

As at the date of this MD&A, the Company had completed a detailed assessment of the key differences between Canadian GAAP and IFRS that could potentially affect the financial statements (see below “Major areas affected by the conversion to IFRS”). The Company expects to complete all scoping and planning steps, as described above, by the end of September 2010. After this the Company will then proceed with the detailed assessment phase and then the operations implementation phase.

MAJOR AREAS AFFECTED BY THE CONVERSION TO IFRS

The Company, with the assistance of PWC, has completed a detailed assessment of the key differences between Canadian GAAP and IFRS. The results of this assessment can be summarized as follows:

- Potentially high to moderate impact areas – where potentially a significant amount of implementation effort and complexity may be required by the Company and there may be a significant impact on the financial statements;
- Potentially low impact areas - where potentially the amount of implementation effort and complexity may not be significant and there may only be minor impact on the financial statements;
- Disclosure differences – potential difference between the current disclosures in the Company’s financial statements prepared under Canadian GAAP to IFRS.

POTENTIALLY HIGH TO MODERATE IMPACT AREAS

Impairment (long-lived assets, intangibles and goodwill)

In evaluating the Company’s long-lived assets for recoverability under Canadian GAAP, the Company uses a two step impairment test. Estimates of after-tax undiscounted future cash flows of the individual operations are used to estimate the recoverable amount and this is compared with carrying amount. Where the recoverable amount is less than the carrying value an impairment charge is recognised for the amount by which the carrying value exceeds the fair value.

Under IFRS:

- IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss).

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- IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.
- Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as a part of a Cash Generating Unit.
- Impairment testing under IFRS is performed using two new valuation methods – value in use and fair value less cost to sell.

Share Options Awards

The Company issues share options awards to employees, directors and consultants on an ongoing basis. The eligibility is dependent on staff classification and performance. The vesting conditions are solely time-based and are accounted for using graded vesting.

Under IFRS:

- Each instalment of options that vest are treated as a separate share option grant because each is assumed to have a different vesting period and hence the fair value of each instalment will differ.
- Forfeitures of options granted are required to be estimated at the time of the grant to eliminate distortion of remuneration expenses recognised during the period.
- Equity instruments issued to employees are required to be measured on the grant date.

Foreign currency translation

The Company's functional and reporting currency is US dollars. None of the Company's operations are accounted for as self-sustaining operations. The Company's assets and non-monetary liabilities are translated at historic exchange rates in effect at the date of the transaction giving rise to the item and revenues and expenditures are translated at average exchange rates. Differences arising from these foreign currency translations are recorded as income or loss in the consolidated statements as other comprehensive income in the Statement of Operations.

Under IFRS:

- IFRS 1 allows companies to reset their existing cumulative translation account balance to zero at the date of transition.
- IFRS uses a functional currency concept (currency of the primary economic environment in which the entity operates) to determine the method of measuring foreign currency translation. Canadian GAAP uses the concept of integrated and self-sustaining foreign operations.

Income Taxes

As at June 30, 2010 the Company has future income tax liabilities of \$6.8 million and no recognised future income tax assets. Future income taxes are calculated using the asset and liability method with the majority of future income tax liabilities arising from a past business combination, specifically the acquisition of Lero in 2008.

Under IFRS:

- All deferred tax assets and liabilities are classified as non-current in nature.
- Future income tax assets are recognised to the extent that it is probable that the benefit will be realised.
- The recognition of future income tax assets or liabilities that arise from the initial recognition of assets or liabilities other than in a business combination is prohibited.
- There is no exemption as in Canadian GAAP for deferred taxes in respect of foreign exchange differences.

POTENTIALLY LOW IMPACT AREAS

Property, plant and equipment

The Company's property, plant and equipment are recorded at cost less accumulated amortization.

Under IFRS:

- IFRS 1 allows companies to elect the fair value as the deemed cost of an individual asset at the date of transition.
- IFRS requires a componentization approach, separately identifying and measuring significant individual components of assets which have different useful lives. Significant components will be depreciated based on their individual useful lives.

Financial Instruments

Financial and derivative instruments, including embedded derivatives, are recorded at fair values on the Company's balance sheet, with gains and losses in each period included in other comprehensive income or net income. Fair values are determined using valuation techniques. These techniques use assumptions based on market conditions existing at the balance sheet date.

Under IFRS:

- IFRS does not provide specific transitional rules for embedded derivatives.

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- IFRS has a different derivative definition as compared to existing Canadian GAAP. This difference may have a significant impact on the number of recognized embedded derivatives.

Exploration and evaluation costs

The Company currently expenses all mineral evaluation costs until a project is deemed economically viable, at which point all exploration and evaluation costs are capitalised until such time as an economic ore body is defined or the project is abandoned. As at June 30 2010, the Company had \$14.1 million capitalised relating to mineral properties on the balance sheet.

Under IFRS:

- The Company needs to determine a policy which specifies which expenditures are recognised as exploration and evaluation assets and apply these consistently.
- Initial measurement of exploration expenditures is at cost but subsequent measurement can be based on a fair value.
- Exploration assets can be classified as tangible or intangible but must be applied consistently
- The Company needs to determine an accounting policy for allocating exploration and evaluation assets to cash generating units.

DISCLOSURE DIFFERENCES

Business combinations

During 2008, the Company completed the acquisition of Lero. The acquisition was accounted for under Canadian GAAP using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of the acquisition. Any excess of the purchase price over such fair value is recorded as goodwill. Any excess of fair value over the purchase price is not recorded. No goodwill was identified as part of the acquisition; however goodwill may arise in the future from new acquisitions. Under Canadian GAAP goodwill is not amortized.

Under IFRS:

- IFRS 1 provides the option to not apply the IFRS business combinations standard on a retrospective basis.
- A new business combinations standard IFRS 3(R) will be applicable prior to transition, and will significantly change accounting for acquisitions including the following:
 - Transaction costs will be expensed as incurred.
 - Assets and liabilities will be recorded at full fair value, rather than at the value of the consideration paid.
 - In step acquisitions, the assets and liabilities owned prior to the acquisition of a majority interest are re-valued at the date of acquisition.

Differences in disclosures

IFRS introduces a number of changes to the format and disclosure of financial statements some of which are mandatory and will have an impact on the presentation of the Company's financial statements.

Under IFRS:

- Presentation of financial statements for the first IFRS financial statements must include a reconciliation of equity previously reported under Canadian GAAP to equity under IFRS at January 1, 2010 and December 31, 2010.
- A reconciliation of the total comprehensive income previously reported under Canadian GAAP to equity under IFRS at January 1, 2010 and December 31 2010 is required.
- Disclosures for Related Party transactions are more extensive than under Canadian GAAP, as follows:
 - Relationships between parent and subsidiary companies must be disclosed;
 - The Company must disclose key management personnel compensation in total and for each of the following categories:
 - Short term employee benefits,
 - Post employment benefits,
 - Other long term benefits,
 - Termination benefits and,
 - Share based payments
- Reporting of Operating Segments are substantially the same as the current disclosures in the financial statements of the Company. The key difference is that IFRS requires more disclosure relating to assets.

ACCOUNTING POLICY DEVELOPMENTS

Effective January 1, 2009 the Company adopted the following new CICA Accounting Standards:

Business combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, and provides the equivalent to IFRS 3, Business Combinations (January 2008). The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date.

The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting.

Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. This new Section will only have an impact on the Company's consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, and Handbook Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. These two Sections are the equivalent to the corresponding provisions of International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following critical accounting policies and estimates are relevant to the presentation of the Company's financial results as at June 30, 2010:

Use of estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are used for certain items such as fair values used to establish mineral reserve quantities, if any, depreciation and stock based compensation.

Cash and cash equivalents

Cash and cash equivalent balances include cash and short-term deposits with banks or other financial institutions that have an original maturity date of 90 days or less. Cash equivalents have been designated as held-for-trading and are reported on the balance sheet at fair value with changes in their fair value reported in the statement of operations.

Mineral property 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.

The Company recognizes the payment of amounts required under option agreements as an addition or reduction, respectively, in the book value of the property under option when paid or received.

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.

The Company reviews and evaluates its mineral property and development assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is considered to exist if the total future undiscounted cash flows are less than the carrying amount of the assets. Estimated future undiscounted cash flows are prepared taking into account estimated future production levels, commodity prices, operating costs, capital costs, reclamation and closure costs.

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 property is written down to its estimated fair value.

Although the Company has taken steps to verify 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.

Property, plant and equipment

Property, plant and equipment are recorded at cost. 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.

Net investment in oil and gas residual interests

Sales proceeds and royalties received or receivable are recorded as a reduction to the carrying value of the Company's net investment in oil and gas residual interests.

Investments

The Company's VIEs are accounted for under the equity method and include, but are not limited to, special purpose entities, trusts, partnerships and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline 15, Consolidation of Variable Interest Entities. VIEs are entities in which equity investors do not have the characteristics of a "controlling financial interest" or where there is insufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary, the party who absorbs the majority of the entity's expected losses and residual returns.

Under the equity method of accounting, the investment is initially recorded at cost and the carrying value adjusted thereafter to include the investor's pro rata share of post acquisition earnings or losses.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and

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liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Incentive stock option plan

The Company uses the fair value method for accounting for stock-based awards to employees and non-employees. Under the fair value method, compensation expense attributed to the direct award of stock to employees is measured at the fair value of the award at the grant date, using an option pricing model, and is recognized over the vesting period of the award. Compensation expense for non-employees is measured on the earlier of the date at which the counter party's performance is complete, the date the performance commitment is reached, or the date at which equity instruments are granted if they are fully vested and non-forfeitable. If and when the stock options are ultimately exercised, the applicable amounts of additional paid-in capital and contributed surplus are credited to share capital.

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.

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.

These risks include risks associated with the estimate of mineral resources; 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 and foreign currency fluctuations; risks related to obtaining required financing and operating permits on a timely basis; 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 mitigate 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. There may be additional risks unknown to Orsu and other risks, currently believed to be immaterial, that could turn out to be material. These risks, whether they materialise individually or simultaneously, could significantly adversely affect the Company's business and financial condition and results of operations.

Risks relating to the Karchiga Project Contract

As a result of the delay in the execution and registration of the First Amendment and Second Amendment, GRK has not yet obtained from the Competent Authority (as defined below) the formal annual approvals required for its work programs for 2009 and 2010 (as required by Kazakhstan laws) and therefore there is a risk that GRK has technically conducted its activities in 2009 and up to the dates of the execution and registration of the First Amendment and the Second Amendment in breach of the Karchiga Project Contract and in violation of Kazakhstan laws. As of the date hereof, GRK has not received any notification letter from the Competent Authority that GRK conducted its activities in violation of either the Karchiga Project Contract or Kazakhstan laws. Every significant violation by GRK of its obligations under the Karchiga Project Contract may cause the suspension or termination of the Karchiga Project Contract and the materiality of any given violation is not established under Kazakh law and, as a result, is determined at the discretion of the Competent Authority.

"Competent Authority" means the state agency (or agencies), which is (or are) designated by the Government of Kazakhstan and acts on behalf of the State to exercise rights related to the execution and performance of contracts. Until recently, the Competent Authority was the former MEMR which was dissolved on March 12, 2010. On the same date, the Ministry of Industry and Trade of the Republic of Kazakhstan was re-organized into the MINT. These changes involved, among other things the transfer of the former MEMR's functions and authorities in the mining industry to MINT, which is currently designated as the Competent Authority.

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

Article 12 of Kazakhstan's Law No. 291-IV "On Subsoil and Subsoil Use" dated June 24, 2010 (the "Subsoil Law") (for detailed information on the Subsoil Law please see Section *Recent Changes in Kazakhstan Subsoil Law and Regulatory Authorities* below) provides the State of Kazakhstan with a statutory pre-emptive right, exercisable in the event that the Company attempts to sell or otherwise transfer any shares or other equity interest in (i) a legal entity holding a Kazakh subsoil use right or (ii) a legal entity which may directly or indirectly make decisions and/or exert influence on decisions adopted by a Kazakh subsoil user if the main activity thereof is connected to subsoil use in Kazakhstan, to purchase such rights or equity interests on terms no less beneficial than those offered to the proposed purchasers. The Competent Authority in subsoil has the right to terminate a subsoil use contract if a transaction takes place in breach of the requirements of Article 12 of the Subsoil Law. Under Article 12 of the Subsoil Law, the pre-emptive right applies both to Kazakh and overseas entities, including their offshore transactions outside of Kazakhstan.

Also, under Article 36 of the Subsoil Law, any transfer of subsoil use rights to any third party, in whole or in part, may be made only with the prior consent of the Competent Authority. The consent of the Competent Authority is valid for a period of six months from the date it is provided. If the transaction is not completed within such six month period, the seller must apply to the Competent Authority to extend the consent for an additional six month period or to obtain a new consent. A transfer of subsoil use rights may occur in a number of different manners, including by way of assignment, in whole or in part, of subsoil use rights under a subsoil contract; the disposition of shares in a subsoil user; a contribution to the charter capital of a newly established legal entity; a transfer of subsoil use rights as part of a transfer of a property complex; the alienation of subsoil use rights under bankruptcy proceedings in the event of a subsoil user's bankruptcy; and a pledge of subsoil use rights. A failure to obtain either the State's waiver of its pre-emptive right or the consent of the Competent Authority would invalidate a transaction. In addition, the Subsoil Law requires a purchaser to notify the Competent Authority of the transfer of subsoil use rights within five business days of the completion of the transfer. A failure to do so will constitute grounds to invalidate a transfer.

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Under the Subsoil Law, the prior consent of the Competent Authority is required 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 (the "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. Accordingly, the State of Kazakhstan may be able to enforce extra-territorial breaches of its pre-emptive right by terminating the underlying subsoil use contract in the event of any such breach. In the event that the State of Kazakhstan exercises its pre-emptive rights in respect of any transfer of subsoil use rights or related equity interests within, to or from the Company, such exercise may have a material adverse effect on the Company, its financial condition and results of operations.

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 has applied for 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 and the Offering. While the Company expects to obtain such waiver in due course, there can be no assurance that the Company will be successful in obtaining such waiver and, accordingly, there is a risk of the State of Kazakhstan enforcing its pre-emptive right by terminating the Company's subsoil use contract due to the Company's breach of the Subsoil Law. 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. In the event that the State of Kazakhstan exercises its pre-emptive rights in respect of the current trading of the Common Shares on the TSX and AIM or the Offering, such exercise may have a material adverse effect on the Company, its financial condition and results of operations.

Gold Fields Joint Venture

Under the terms of the JV Agreement, dilution provisions apply if either party does not 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 Talas Joint Venture Company and therefore the Talas Project, will be reduced according to the dilution provisions of the JV Agreement. This would 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 does not 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.

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 (including, but not limited to, extensions of the Taldybulak and Barkol licences after December 31, 2010 the approval by the Competent Authority of the Company's application for a waiver of the State's pre-emptive right with respect to the Karchiga Project and the current trading of the Common Shares on the TSX and AIM. 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 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 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.

Risks Relating to the Republic of Kyrgyzstan

Uncertain Political Environment in the Republic of Kyrgyzstan

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

In particular, since the beginning of April, 2010 the Republic of Kyrgyzstan has been experiencing political instability, civil unrest and severe incidents of violence in the southern regions. On April 7, 2010 a change in government took place with opposition leaders forming an interim government and the former president leaving

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the country. The interim government took over the powers of the president, parliament and the central government and dissolved the Kyrgyz parliament, stating that it will remain in power until a new constitution is adopted and new parliamentary elections are 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. The new constitution provides that the Republic of Kyrgyzstan shall become a parliamentary republic, rather than a presidential republic. The interim government announced that new parliamentary elections are scheduled for October 10, 2010. Whether such a change in government will have a material adverse effect upon the Company's business, operations or any of the licenses held in the Republic of Kyrgyzstan is unknown at this time.

Continued or future political or social instability, civil unrest or incidents of violence in the Republic of Kyrgyzstan, including the Talas region, could, in addition to affecting the political, social and/or economic stability of the Republic of Kyrgyzstan, adversely affect the ongoing exploration and development of the Talas Project and/or the 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 Republic of Kyrgyzstan 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 Republic of Kyrgyzstan's neighbours to ensure the Republic of Kyrgyzstan'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 changes and civil instability in the Republic of Kyrgyzstan will have a direct or indirect material adverse effect upon the Company, its financial condition and results of operations.

Uncertain legal environment in Kyrgyzstan

The legislation of the Republic of Kyrgyzstan is not stable but is regularly amended and modified. The following risks create uncertainties to businesses in the Republic of Kyrgyzstan: 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 in some of the companies, which are stated to be owned by the family and close circle of 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 Republic of Kyrgyzstan.

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 social, political, economic, legal, and fiscal instability. These risks include: local currency devaluation; exchange controls or restrictions on availability of hard currency; changes in gold and copper prices and 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, its financial condition and results of operations.

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, its financial condition and results of operations.

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 Kazakhstan Subsoil Law and Regulatory Authorities

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 Old Subsoil Laws established two regulatory formalities which had to be obtained when selling and purchasing subsoil use rights and/or selling shares in companies owning or controlling subsoil use companies in Kazakhstan. These formalities included (i) approval of the Competent Authority and (ii) the state waiver of the statutory pre-emptive right. The Subsoil Law retains these two approvals and specifies the transactions which are subject to such approvals.

As the text of the Subsoil Law became publicly available only recently, any potential impact it may have on the Company and the Company's business operations in Kazakhstan is currently unknown. However, any changes to the laws governing the Company and its business operations could have a material adverse effect on the profitability, results of operations and financial condition of the Company.

In addition, on March 12, 2010 the Former MEMR was dissolved and on this same date, the Ministry of Industry and Trade of the Republic of Kazakhstan was re-organized into the MINT. These changes involved, among other things, the transfer of the Former MEMR's functions and authorities in the mining industry to MINT. Under the Subsoil Law, MINT will now be the principal regulatory and competent authority for the mining industry. In addition to MINT, the Subsoil Law names other committees and commissions that are involved in the regulation of various aspects of subsoil use operations. However, the Subsoil Law is not yet entirely clear as to which role each of these committees and commissions will play.

Risks and Uncertainties Relating to the SPA and the Varvarinskoye Disposition

Pursuant to the terms of the SPA, the Company has given Polymetal certain customary warranties regarding title, its ability to sell its former subsidiary Three K Exploration and Mining Limited ("Three K") and the business of Joint Stock Company Varvarinskoye ("JSCV") (the Company's former subsidiary and the owner and operator of the Varvarinskoye Project). 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 certain dormant subsidiaries of Three K which have been transferred to Polymetal in connection with the transaction but which are to be transferred back to the Company.

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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.

In addition, whilst Orsu has received the initial consideration of \$8 million for the sale of the Varvarinskoye Project, there exists significant uncertainty in relation to whether the Company will receive any deferred consideration proceeds (up to a maximum entitlement of \$12 million). Deferred consideration proceeds are based upon and affected by the hedging program entered into by the purchaser, future gold and copper metal price levels and the future cash flows of JSCV, and these key factors are not under the control or influence of Orsu. A failure to receive such proceeds could have an adverse effect on the Company's financial position.

Additional Equity Financing

The advancement, exploration and development of the Company's properties, including continuing exploration 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 any 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 "Risks 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.

Estimates of Mineral Resources

The mineral resource estimates published from time to time by the Company (including the estimates 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.

Risks related to the Karchiga Scoping Study

The Karchiga Scoping Study 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 mineral reserves, and there can be no assurance that the preliminary assessment based on these mineral resources set out in the Karchiga Scoping Study 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.

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 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,

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royalties, infrastructure, land use, importing and exporting of precious metals or base metals concentrates, exchange control and environmental protection). The combination of these factors may have a material adverse effect on Orsu's business and financial condition.

Kazakhstan Tax Legislation

The taxation system in Kazakhstan as a market oriented economy is at an early stage of development. Tax legislation is evolving and is subject to different and changing interpretations as well as inconsistent enforcement at both the local and state levels. The uncertainty and the evolution of tax laws creates a risk of excessive payment of tax by companies operating in Kazakhstan, which could have a material adverse effect on the Company's financial condition and results of operations.

All legal entities carrying on activities in Kazakhstan must be registered with the tax inspectorate. Taxes in Kazakhstan include an income tax, an excess profits tax, a mineral extraction 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.

Additional payments, such as signing bonuses, commercial discovery bonuses, production bonuses, royalties and excess profits taxes, may be required from gold and copper producers. 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.

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 contract for the specific project. The amount of these special payments are negotiated on a project-by-project basis and are typically set forth in subsoil use contracts concluded between the operator and the Kazakhstan government.

Class Action Claim

Pursuant to the class action claim commenced against EMC and two of its officers in the Ontario Superior Court of Justice in June 2008, (the "Class Action Claim"), general and special damages in the amount of CAD\$50,000,000 and punitive damages in the amount of CAD\$5,000,000 had been claimed against the Company. However, the Company entered into a court-approved settlement agreement, effective March 22, 2010, to settle the claims of the class members. 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 has been notified that no class members opted out of the settlement. The settlement is now final.

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 any such 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 the Company's financial condition. However, no such challenges to the settlement have been launched to this point.

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.

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 but no assurance can be given that such rights will not be revoked, or significantly altered, to the detriment of the Company.

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

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commercial production to be uneconomical and such fluctuations could have a material adverse effect on Orsu's business and financial condition.

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 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.

Global Economic and Financial Markets

Market events and conditions, including disruption and/or deterioration in the Canadian, U.S. and global credit markets, other financial systems and economic conditions, 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 U.S., Canadian and foreign 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 substantially. In addition, general economic indicators deteriorated, including declined consumer sentiment and economic growth, and increased unemployment and uncertainty about corporate earnings. These unprecedented disruptions in the credit and financial markets had a significant material adverse impact on a number of financial institutions and limited access to capital and credit for many companies, particularly resource exploration and development companies such as the Company. These or any future disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining financing required 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 been experiencing 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 have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share price of many natural resources companies has experienced an unprecedented decline in value and 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.

Currency Risk

Currency fluctuations may affect the cash flow that the Company may realise from its operations. The Company's costs are incurred primarily in United States Dollars, British Pounds Sterling, Canadian Dollars and also in the currencies of the former Soviet countries in which it operates. Various countries within the Commonwealth of Independent States have from time to time imposed restrictions on the convertibility of local currency and there is no guarantee that such restrictions will not be imposed in future.

Interest Rate Risk

The Company's interest rate risk arises primarily from the interest received on cash and short-term deposits. The floating rate deposits and borrowings expose the Company to cash flow interest rate risk.

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. All of the Company's revenue is earned in United States dollars. 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.

Asset Impairment

In accordance with Canadian GAAP (CICA 3063, "Impairment of Long-Lived Assets"), 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.

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Although management of the Company believes that the estimates and judgments applied in the impairment assessments outlined above 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 be material.

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.

Exploration and New Projects

The Company may seek to identify new mining operations and downstream processing facilities through active exploration and acquisition programmes. There is no guarantee, however, that expenditure on such programmes will be recouped. Failure to do so could have a material and adverse impact on the Company's financial results and prospects. Increasing regulatory, environmental and social approvals are, however, required which can result in significant increases in construction costs and/or significant delays in construction. These increases could materially and adversely affect the economics of a project and, consequently, the Company's asset values, costs, future earnings and cash flows.

Acquisitions

The Company has grown partly through the acquisition of other businesses. Business combinations commonly entail a number of risks and the Company cannot be sure that management will be able to effectively integrate businesses acquired or generate the cost savings and synergies anticipated. Failure to do so could have a material and adverse impact on the Company's costs, future earnings and cash flows. Furthermore, the Company may, under the terms of the acquisition, be liable for the past acts or omissions of the acquired businesses in circumstances where the price paid does not adequately reflect the eventual cost of these liabilities.

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 licensing or contractual obligations, which include periodic payment of royalties to the governments and the satisfaction of mining, environmental, 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" and "Risks relating to the Karchiga Project Contract".

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.

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

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require significant capital outlays, adversely affecting Orsu's earning and competitive position in the future and, potentially, its financial position.

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.

Limitations on Foreign Control, Operation and Management of 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 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.

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.

Other Tax Related Risks

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 having regard to the fair market value and tax cost of its property and the paid-up capital of the Common Shares. However, as Orsu has not yet received a final determination in relation to its "departure", there remains a risk that Canada Revenue Agency (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. In addition, Orsu has submitted a number of United Kingdom corporation tax returns after the due date for making such filings. The Company believes that no material United Kingdom corporation tax is payable and late filing penalties will be minimal. The late filing of the returns may, however, lead to increased scrutiny of Orsu from the United Kingdom taxing authority.

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: the amount and receipt of deferred consideration that may be payable to the Company by Polymetal pursuant to the sale of the Varvarinskoye Project; the Company's expectations with respect to obtaining a waiver of the State's pre-emptive right with respect to the current trading of the Common Shares on the TSX and AIM and the Offering; the continued maintenance and exploration of the Company's properties (including the proposed work programs) and the costs and timing related thereto; development and operational plans, objectives and budgets; mineral resource estimates; estimated project economics, cash flow and costs; the Company's expected acquisition of the remaining interest in Eildon (the "Karchiga Acquisition") and the corresponding increase in its interest in GRK and the Karchiga Project as well as the timing for the completion of the Karchiga Acquisition; the estimated LOM, NPV and IRR for the Karchiga Project; forecasts relating to amounts to be mined from, and average recoveries and grades at, the Karchiga Project; estimates relating to the future price of copper; the production of marketable concentrate from the Karchiga Project; the completion of further optimization studies and a definitive feasibility study at the Karchiga Project; the Company's beliefs relating to the production of sellable copper-gold-molybdenum concentrate (having the grading and recovery estimates set out above) from the Taldybulak sulphide ore materials and that the results from the test work conducted at the Tokhtazan Project confirm the principal amenability of the Tokhtazan ores to heap leaching extraction of gold; estimates relating to critical accounting policies; the Company's plans with respect to the conversion to IFRS and the adoption and/or implementation of changes to accounting policies and the impact of same on the Company's financial statements; the future political and legal regime in the republic of Kyrgyzstan; the regulatory environment in Kazakhstan relating to the mining industry; the expected use of the net proceeds from the Offering; the significance of any individual claims by non-resident members with respect to the Class Action Claim (and its predecessor); the Company's expectations with respect to pursuing new opportunities and acquisitions and its future growth; and the Company's ability to raise new funding.

The forward-looking information in this MD&A reflects the current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward looking information contained in this MD&A, the Company has made assumptions regarding, among other things, the treatment of the Varvarinskoye Project as discontinued operations, the Company's ability to generate sufficient funds from capital markets to meet its future obligations and planned activities, the Company's business (including the continued exploration of its properties), the economy and the mineral exploration industry in general, the political environments and the regulatory frameworks in Kazakhstan and the Republic of Kyrgyzstan with respect to, among other things, the mining industry generally, royalties, taxes, environmental matters and the Company's ability to obtain, maintain, renew and/or extend required permits, licences, authorisations and/or approvals from the appropriate regulatory authorities (including (i) the Company's ability to obtain an extension of the Taldybulak and Barkol licences beyond December 31, 2010, (ii) the Company's ability to obtain a waiver of the State's pre-emptive right relating to the Karchiga Project, and (iii) that the Company and or/the counterparties to the sale and purchase agreement governing the Karchiga Acquisition (the "Karchiga SPA") will satisfy or obtain a waiver of any conditions imposed by applicable regulatory authorities necessary in order to complete the Karchiga Acquisition), the satisfaction or waiver, as applicable, of the conditions precedent to the completion of the Karchiga Acquisition by the Company or the counterparties to the Karchiga SPA, 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 completion of the Karchiga Acquisition, the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand, assumptions relating to the Company's critical accounting policies, and has also assumed that no unusual geological or technical problems occur, plant and equipment work as anticipated, no material adverse change in the price of copper or gold occurs and no significant events occur outside of the Company's normal course of business. 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.

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 in the Karchiga Scoping 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 the Republic of Kyrgyzstan (including the failure to obtain the State's waiver of its pre-emptive right relating to the Karchiga Project or the Company's inability to obtain the necessary

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extensions relating to its Taldybulak and Barkol licences); adverse changes in the political environments in Kazakhstan and the Republic of Kyrgyzstan and the laws governing the Company, its subsidiaries and their respective business activities; a failure or delay in the satisfaction, or receipt of a waiver, as applicable, of any conditions imposed by applicable regulatory authorities in order to proceed with the completion of the Karchiga Acquisition and/or under the Karchiga SPA or the failure to complete the Karchiga Acquisition for any other reason; capital and operating costs varying significantly from estimates; 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 Project joint venture; adverse general market conditions; lack of availability at a reasonable cost or at all, of plants, 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 Class Action Claim; the Company's inability to delineate additional mineral resources and delineate mineral reserves; future unforeseen liabilities and other factors including, but not limited to, those listed under "Risk and Uncertainties" in this MD&A and in the Company's other disclosure materials, including the Company's Annual Information Form (the "Annual Information Form") available under the Company's profile on SEDAR at www.sedar.com.

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.

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.

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 include controls and procedures that are designed to 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 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 statements for external purposes in accordance with Canadian GAAP. 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

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conceived or operated. There were no changes were made to the Company's ICFR during the period ended June 30, 2010 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 Annual Information Form, may be accessed through SEDAR on the internet at www.sedar.com.

Disclosure of Outstanding Share Data

The following table sets forth information concerning the outstanding securities of the Company as at August 11, 2010:

Outstanding Securities	Number in issue
Common shares of no par value ("Shares")	157,696,049
Old share purchase options ⁽¹⁾	17,500,000
New share purchase options ⁽²⁾	12,550,000
Old share purchase warrants ⁽³⁾	51,053,400
New share purchase warrants ⁽⁴⁾	62,720,000

Notes:

1. For share purchase options granted prior to November 24, 2009 up to 1,750,000 Common Shares are issuable upon the exercise of such share purchase options.
2. Share purchase options granted after November 24, 2009. Up to 12,550,000 Common Shares are issuable on exercise of such share purchase options.
3. For share purchase warrants granted prior to November 24, 2009 up to 5,105,340 Common Shares (subject to any further adjustments in the case of approximately 1,060,215 Common Shares pursuant to the governing warrant instrument) are issuable upon the exercise of the share purchase warrants.
4. Share purchase warrants granted after November 24, 2009. Up to 62,720,000 Common Shares are issuable on exercise of such share purchase warrants.

ENDS