

Orsu Metals Corporation

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

(Figures in United States Dollars)

Orsu Metals Corporation

MD&A for the period ended September 30, 2010

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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 November 9, 2010.

INTRODUCTION

Orsu Metals Corporation (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, copper and molybdenum deposits in the Tien Shan gold belt in the Republic of Kyrgyzstan and Rudny Altai belt in the Republic of Kazakhstan.

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

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

This MD&A contains management's assessment and analysis of the operating results and financial condition of Orsu and should be read in conjunction with the Consolidated Financial Statements for the period ended September 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

- July 2010 . the Company announced the 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 gold(Au)-copper(Cu)-molybdenum(Mo) concentrate grading 102g/t Au, 19%Cu and 1.30%Mo with respective recoveries of 85%, 88% and 89% can be produced from the Taldybulak sulphide ore material.
- July 2010 . the Company 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 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.
- September 2010 . the Company commenced a definitive feasibility study for its Karchiga Project (the "Karchiga Feasibility Study") with a view to starting construction in early 2012. This was following the appointment of SRK Consulting (UK) Ltd ("SRK"), to act as the lead consultant for the Karchiga Feasibility Study and to prepare a feasibility study report in accordance with National Instrument 43-101 ("NI 43-101") standards. In respect of the Karchiga Feasibility Study report Wardell Armstrong International Limited, ("WAI") was also engaged by the Company to prepare a Baseline Study and an Environmental and Social Impact Assessment study as part of the Karchiga Feasibility Study.
- September 2010 . The Company appointed Mr. Raymond Oates as Technical Director. His responsibilities include the supervision of the Karchiga Feasibility Study and, thereafter, the construction of a mine through to the commencement of production expected in 2013.
- September 2010 . the Company reported an exploration update and assay results on five initial diamond drill holes at the Akdjol Prospect, within the Akdjol license area of the Akdjol-Tokhtazan Project. The Akdjol Prospect has been identified by Orsu as the first ever Kyrgyz gold-silver epithermal prospect and has yielded very encouraging assay results including: a vertical intercept of 14.2m @ 5.32 g/t Au and 59.51 g/t Ag, including 6.7m @ 8.69 g/t Au and 86.96 g/t Ag from diamond drilling (average grades of 3.84 g/t Au and 49.4 g/t Ag from the four reported drill holes).

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- September 2010 . Following a 22,013 meter drilling program in 2008 and 2009, Gold Fields Limited, the Company's joint venture partner for the Talas Project (the "Gold Fields"), reported an updated mineral resource estimate relating to the Taldybulak deposit, part of the Talas Project, effective June 30, 2010 in its 2010 Annual Report (the "Taldybulak Mineral Resource") in accordance with the 2007 South African Code for the Reporting of Mineral Resources and Mineral Reserves (the "SAMREC Code"). The Taldybulak Mineral Resource consists of an indicated resource of 127 Mt, comprising 2.6 Moz gold at 0.64 g/t, 477 Mlb copper at 0.17%, and 29.4 Mlb molybdenum at 0.01%, and an inferred resource of 296 Mt, comprised of 3.71 Moz gold at 0.4 g/t, 1,098 Mlb copper at 0.17%, and 69.2 Mlb molybdenum at 0.01%. Orsu's attributable resource based on this constrained calculation is 1.04 Moz gold at 0.64 g/t, 191 Mlb copper at 0.17%, and 11.8 Mlb molybdenum at 0.01% in the indicated category and 1.48 Moz gold at 0.4 g/t, 439 Mlb copper at 0.17%, and 27.7 Mlb molybdenum at 0.01% in the inferred category. The foregoing and other information contained in this MD&A relating to the Taldybulak Mineral Resource is derived from the Gold Fields' 2010 Annual Report. See "Operational Review . Taldybulak Licence, Kyrgyzstan . 2010 Mineral Resource Estimates".

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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 WAI. WAI's complete technical report is entitled Updated Report on the Karchiga Property held by Orsu Metals Corporation, Kazakhstan (the Karchiga Technical Report), 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 NI 43-101. Both the Karchiga Scoping Study and the Karchiga Technical Report can be viewed under the Company's profile at SEDAR (www.sedar.com).

In September 2010, the Company commenced the Karchiga Feasibility Study and appointed SRK as the lead consultant to prepare the Karchiga Feasibility Study report to NI 43-101 standards.

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

- **Talas Project, Kyrgyzstan** . The Talas Project is located within the Tien Shan gold belt in north western Kyrgyzstan, and is comprised of four licence areas including: the Taldybulak, Kentash, Barkol and Korgontash licences. The Taldybulak gold-copper-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 (each of whom is an employee of WAI and a qualified person within the meaning of NI 43-101) (the Taldybulak Technical Report), can be viewed under the Company's profile at SEDAR (www.sedar.com).

Following a 22,013 meter drilling program in 2008 and 2009 Gold Fields reported the Taldybulak Mineral Resource in its 2010 Annual Report.

Further discussion about the Talas Project can be found on page 11 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 Taldybulak Technical Report.

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

- **Akdjol-Tokhtazan Project, Kyrgyzstan** - The Akdjol-Tokhtazan Project is located in the Jelaal-Abad Oblast, western Kyrgyzstan and is comprised of two exploration licences, Akdjol and Tokhtazan.

Further discussion about the Akdjol-Tokhtazan Project can be found on page 15 of this MD&A.

QUALIFIED PERSON

Except for the technical information derived from the technical reports referred to in this MD&A, Dr. Alexander Yakubchuk, a qualified person (as such term is defined in NI 43-101), reviewed and approved the technical information in this MD&A. Dr. Yakubchuk verified the data disclosed in this MD&A in respect of exploration results, including sampling, analytical and test data, underlying such information, dated after July 31, 2010. Dr. Yakubchuk is a Director of Exploration and the Chief Operating Officer for Orsu. Technical information in this MD&A before July 31, 2010 had been reviewed and approved by Mr. Matthew Boyes (a qualified person as defined in NI 43-101) who was the Mineral Resource Manager for Orsu. Mr. Boyes is no longer employed by the Company.

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OPERATIONAL REVIEW

The Company is exploring several advanced stage gold, copper and molybdenum 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 has been using, and will continue to use, its current working capital resources, including the funds raised from the Offering (as defined in the Financial Review section of this MD&A), to satisfy the Company's commitments in respect of its mineral exploration properties as described below.

KARCHIGA PROJECT, KAZAKHSTAN

Licence information

The Karchiga Project is the Company's most advanced project. The Karchiga Project is located in the extreme east of the Republic of Kazakhstan, within 40km of the Chinese border. The deposit at the Karchiga Project is situated within the north west striking, mid-Palaeozoic, Rudny Altai VMS 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 MLD LLC, "GRK MLD") 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 MLD 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 MLD 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 MLD 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 which the Company expects to fulfil.

Agreement to increase stake in Karchiga Project

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 26.1% interest in Eildon Enterprises Limited ("Eildon"), which is the owner of a 94.75% interest (the "Karchiga Acquisition") in GRK MLD, the holder of the Karchiga Project. The Karchiga Acquisition is subject to certain conditions, such as receipt of all necessary regulatory consents, including from the required authorities in Kazakhstan. Due to an ongoing reorganization within the government of Kazakhstan, the Company now anticipates completing the Karchiga Acquisition during the fourth quarter of 2010. The

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purchase price is \$6,187,500 and will be satisfied entirely in cash at the closing of the Karchiga Acquisition. Following the Karchiga Acquisition, the Company will indirectly own a 94.75% interest in the Karchiga Project.

2010 Mineral Resource Estimates

A NI 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 NI 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 NI 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 mineralized feed the project life is expected to exceed ten years. For the purposes of the Karchiga Scoping Study, all oxide material was considered to be waste and assigned no economic value.

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

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

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

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

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

Karchiga Feasibility Study and Exploration Programme

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

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

In order to satisfy the requirements for the Karchiga Feasibility Study it has been necessary to perform resource in-fill drilling (aiming to convert Inferred mineral resources into Indicated mineral resources in the North East lode of the Karchiga deposit), geotechnical drilling for open pit design, metallurgical sample drilling and hydrological drilling for monitoring holes and pumping wells. The drilling programme consists of 72 holes totalling 6,900 meters to be completed by December 2010.

Two key issues to be investigated by SRK as part of the Karchiga Feasibility Study will be the use of high quality Chinese equipment in order to minimise the project capital costs and potential off-takers for the copper concentrate in both the Peoples Republic of China and the Republic of Kazakhstan. The Karchiga Project is favourably located approximately 40 km from the Chinese border to the east and approximately 220 km south east of the regional centre, Ust-Kamenogorsk, where Glencore International AG is currently commissioning its new smelter.

The milestones for the Karchiga Project are expected to be:

- completion of data collection from drilling programme and finalisation of the metallurgical flow sheet by February 2011;
- start of detailed mine design by March 2011;
- completion of the locally commissioned Kazakh Feasibility Study and submission for approval by Q3 2011;
- review of the Karchiga Project financing options by Q4 2011;
- completion of the Karchiga Feasibility Study by October 2011;
- approval of the Kazakh Feasibility Study by Q1 2012 and;
- start of construction in early 2012.

TALAS PROJECT, KYRGYZSTAN**License information**

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

Table 7 summarizes the tenure of 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	Expected until end of 2015
AP-24	Taldybulak	TCG LLC	42	14/06/2005	31/12/2010	Expected until end of 2015
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 the avoidance of doubt:

- The Taldybulak gold-copper-molybdenum porphyry deposit within the Taldybulak exploration licence area is a separate asset from the Taldybulak Levoberezhny gold deposit previously owned by Central Asia Gold Limited.
- 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.
- Of the Barkol licence area of 209.5 km², 2 km² is covered by the Chonur licence which is not controlled by TCG LLC.

The Taldybulak deposit is the main focus of exploration activity within the Taldybulak licence area that covers an area of 42km². The Kentash licence is situated immediately east of Taldybulak and covers an area of 46km². The Korgontash licence which covers an area of 66km² is located approximately 25km east of Taldybulak. The Barkol licence is located immediately west of the Taldybulak 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, through its subsidiary Gold Fields Orogen Holding BVI Limited, 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.

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**License information**

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

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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 which was produced in the Taldybulak Technical Report 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.

On September 27, 2010, the Company announced that Gold Fields had reported in its 2010 annual Report an updated mineral resource estimated constrained by a pit shell, effective June 30, 2010, at the Taldybulak deposit according to the SAMREC Code. The following information regarding the Taldybulak Mineral Resource is derived from Gold Fields' 2010 Annual Report. The updated Taldybulak Mineral Resource (Table 8) consists of an indicated resource of 127 Mt, comprising 2.6 Moz gold at 0.64 g/t, 477 Mlb copper at 0.17%, and 29.4 Mlb molybdenum at 0.01%, and an inferred resource of 296 Mt, comprised of 3.71 Moz gold at 0.4 g/t, 1,098 Mlb copper at 0.17%, and 69.2 Mlb molybdenum at 0.01%. Orsu's attributable resource based on this constrained calculation is 1.04 Moz gold at 0.64 g/t, 191 Mlb copper at 0.17%, and 11.8 Mlb molybdenum at 0.01% in the indicated category and 1.48 Moz gold at 0.4 g/t, 439 Mlb copper at 0.17%, and 27.7 Mlb molybdenum at 0.01% in the inferred category.

Table 8. Taldybulak Mineral Resource according to SAMREC Code (effective June 30, 2010)

Confidence classification	Quantity (Mt)	Equivalent grade (AuEq g/t)	Equivalent metal (AuEq Moz)	Gold grade (g/t)	Gold metal (Moz)	Copper grade (%)	Copper metal (Mlb)	Molybdenum grade (%)	Molybdenum metal (Mlb)
<i>Mineral Resource total for deposit (100%)</i>									
Indicated	127	1.04	4.23	0.64	2.60	0.17	477	0.01	29.4
Inferred	296	0.79	7.48	0.40	3.71	0.17	1,098	0.01	69.2
<i>Mineral Resource attributable to Gold Fields (60%)</i>									
Indicated	76	1.04	2.54	0.64	1.56	0.17	286	0.01	17.6
Inferred	178	0.79	4.49	0.40	2.23	0.17	659	0.01	41.5
<i>Mineral Resource attributable to Orsu (40%)</i>									
Indicated	51	1.04	1.69	0.64	1.04	0.17	191	0.01	11.8
Inferred	118	0.79	2.99	0.40	1.48	0.17	439	0.01	27.7
Table notes:									
The Taldybulak Mineral Resource is constrained within an optimized open pit shell parameters including: mining, processing and administration cost estimates; mining parameters; and process recoveries for gold, copper and molybdenum.									
The Taldybulak Mineral Resource estimate is reported without dilution, ore loss or process recovery factors, assuming 100% metallurgical recoveries for all metals. Commodity prices used in the Taldybulak Mineral Resource are US\$1,150/oz gold, US\$3.00/lb copper and US\$15/lb molybdenum. Gold equivalent is calculated using commodity price weightings for gold, copper and molybdenum. AuEq Moz = Au Moz+(US\$3.00/lb*Cu Mlb+US\$15*Mo Mlb)/US\$1,150									
Some figures may not sum exactly due to rounding.									

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

The dataset used in the Taldybulak Mineral Resource is identical to the database used in the mineral resource estimate contained in the Taldybulak Technical Report. The Taldybulak Mineral Resource according to the SAMREC Code is reported using an optimised pit shell while the mineral resource estimated in the Taldybulak Technical Report is reported at a 0.3 g/t gold cut-off grade without any pit shell constraint. As a result, the mineral resource estimate in the Taldybulak Technical Report does not include substantial mineral resources with low gold grade (less than 0.3 g/t gold) but having elevated copper grade. Table 9 is included for comparison purposes and shows the effect of including the mineralised material outside the 0.3 g/t gold cut-off grade shell to produce the open pit constrained SAMREC Code mineral resource.

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Table 9. Comparison of SAMREC Code and NI 43-101 mineral resources for Taldybulak

Mineral Code	Confidence classification	Quantity (Mt)	Gold grade (g/t)	Gold metal (Moz)	Copper grade (%)	Copper metal (Mlb)	Molybdenum grade (%)	Molybdenum metal (Mlb)
NI 43-101	Indicated	141	0.66	2.99	0.17	527	0.01	30
	Inferred	153	0.66	3.24	0.15	506	0.01	40
SAMREC Code	Indicated	127	0.64	2.6	0.17	477	0.01	29.4
	Inferred	296	0.4	3.71	0.17	1,098	0.01	69.2
Table notes:								
NI 43-101 mineral resource figures are from the Company's March 22, 2010 press release, reported within the 0.3 g/t gold shell. Molybdenum grades have been converted to percentage units from parts per million.								
The SAMREC Code figures are reported inclusive both inside and outside the 0.3 g/t gold shell, constrained by 0.1% Cu and open pit shells.								

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

Exploration Update

For the Talas Project, Orsu and Gold Fields agreed to 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 nine months ended September 30 2010, the Company incurred expenditure of \$592,000 for the Talas Project. The majority of the license expenditures are incurred in connection with environmental, social, metallurgical and resource studies, as well as ongoing ground magnetic survey.

Orsu and Gold Fields planned an infill drilling in the western area of the Taldybulak deposit with 5,500m of HQ size diamond drilling to start in Q1 2011. The objective of the proposed infill programme is to better delineate the known extents on the mineralisation and to gain a more detailed understanding of the spatial variability of the Au and Cu grades by closing the overall spacing of the drill holes down to 40m by 40m. Due to the current political uncertainties in Kyrgyzstan (see page 30 **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 for March or April 2011, subject to weather conditions. (see page 30 **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.

The Talas Project joint venture is proceeding with metallurgical optimisation studies to investigate the possibility of increasing recoveries and extracting metals from the oxidised ores.

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.

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.

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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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AKDJOL-TOKHTAZAN PROJECT, KYRGYZSTAN

Licence Information

The Akdjol-Tokhtazan Project contains the Akdjol (108km²) and Tokhtazan (4km²) exploration licences, both of which are held by Oriel in Kyrgyzstan LLC (Ориел), 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 December 31, 2012. Access to the project is via the main Bishkek-Osh bitumen road for 400 km, then 14km on a gravel road.

The expenditure obligations on the Tokhtazan and Akdjol licences are shown in Table 10.

Table 10: Tokhtazan and Akdjol licence 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

On September 22, 2010, Orsu provided an update on its ongoing exploration work at the Akdjol-Tokhtazan Project.

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

In 2009, the Company completed 784m of trenching in 14 trenches at the Akdjol Prospect. Trenching indicated that the quartz veins at the Akdjol Prospect extend for 700m in a north-northwest direction at a width varying from 1m to 9.3m. The veins are 6m to 10m thick, but they are enveloped by an alteration halo with disseminated pyrite mineralization, pinching and swelling depending on the hosting lithologies. Both the veins and the envelope are mineralized, revealing up to 36m of mineralized intercepts above 0.5 g/t Au cutoff. The dipole-dipole induced polarization survey (DD-IP) conducted by Orsu identified a chargeability anomaly encompassing the entire 700m length of the exposed veins. The geophysical anomaly extends for an additional 1000m south, where it is mostly covered by overburden alluvial material over its entire length, but historical Soviet trenches revealed mineralized intercepts some 1000m south of the Akdjol Prospect. The mapping of the exposed part in trenches recognized (Table 11) the higher grade Main Stockwork zone, which is accompanied by a lower grade stratabound Conglomerate zone, located some 40m to 50m in the hanging wall of the Main Stockwork zone to the west, and several veins joining these two main zones (the Diagonal zone).

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Table 11: Significant Mineral Intersections from Akdjol Prospect Trenching Works (0.5 g/t Au cutoff)

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

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

To test the true thickness and the style of mineralization down dip, the Company completed 640m of drilling with 5 diamond drill holes in 2010 (see Table 12). Hole AKDD10-04, drilled in the central part of the mineralized system, returned a vertical intercept of 14.2m @ 5.32 g/t Au and 59.51 g/t Ag from 150.6 to 164.8m, including 6.7m @ 8.69 g/t Au and 86.96 g/t Ag from 151.7m to 158.4 m. Taking into account the surface intercept of 9.3m in the trench AKTR09-05 as well as the intercepts in drill hole AKDD10-02 and Soviet adit, occurring in the same cross-section, this drill result confirmed the downdip continuation of the Main Stockwork veins at the Akdjol Prospect for 220m (previously 110m). Table 12 shows assay results for mineralized drill intercepts in the central part of the Akdjol Prospect.

Table 12: Significant Mineral Intersections (0.5g/t Au cutoff) within the Akdjol Prospect

ID	Total depth (m)	Comment	Orezone	From (m)	To (m)	Length (m)	Au g/t	Ag g/t
AKDD10-04	205	Vertical hole	Main Stockwork	145.5	147	1.5	0.53	25.3
			Main Stockwork	150.6	164.8	14.2	5.32	59.51
<i>incl</i>			Main Stockwork	151.7	158.4	6.7	8.69	86.96
AKDD10-02	82	Angled hole . 55 degrees; Hole stopped in the Soviet adit	Main Stockwork	79.1	82	2.9	4.07	110.39
AKDD10-03	189	Vertical hole	Main Stockwork	158.0	168.2	10.2	2.40	30.56
<i>incl</i>			Main Stockwork	165.0	168.2	3.2	5.44	40.87
AKDD10-05	120	Angled hole . 60 degrees	Main Stockwork	101.0	103.4	2.4	3.5	26.58
<i>and</i>		Angled hole . 60 degrees	Main Stockwork	108.1	110.2	2.1	1.61	23.32

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

In September and October 2010, the Company continued its exploration drilling at the Akdjol Prospect, following the initial encouraging results.

Historic Resource

Gold at the Akdjol and Tokhtazan prospects was originally discovered during the exploration programme by the USSR Ministry of Geology in the late 1970s. At the Akdjol Prospect, trenching was performed and a 453.7m long exploration adit with crosscuts was driven approximately 100m vertically below the outcropping mineralization. This work identified a north-northwest-trending Au-Ag vein system, dipping to the west at 60 degrees. Despite these generally positive results, the Akdjol Prospect was never drilled. In the 1990s, the Cameco Corporation (Cameco) conducted exploration work at the nearby Tokhtazan prospect, resulting in a non-JORC and non-NI 43-101 compliant resource of 21.2 Mt @ 1.56 g/t Au, containing 1.07 Moz Au (at a 0.5 g/t Au cutoff).

Cameco exploration work at the Akdjol Prospect was limited to the reassessment of Soviet exploration data, with an estimate of its non-JORC and non-NI 43-101 compliant resource of 1.481Mt @ 8.1g/t Au, containing 0.385 Moz Au within 100 vertical metres between the adit and the surface trenches. Further information on historical results and historical resource estimates for the Akdjol-Tokhtazan Project can be seen in the Technical Report of The Gold Assets Held by Oriel Resources Plc in Kyrgyzstan, prepared by WAI, and filed on SEDAR (www.sedar.com) on June 28, 2006, under Leroc SEDAR profile, now a wholly-owned subsidiary of Orsu.

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RESULTS OF OPERATIONS (SELECTED QUARTERLY INFORMATION)

(Prepared in accordance with Canadian GAAP)

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

Expressed in US\$000s except where indicated	September 30 2010 (unaudited)	June 30 2010 (unaudited)	March 31 2010 (unaudited)	December 31 2009 (unaudited)
Loss from continuing operations	(2,452)	(3,042)	(1,611)	(1,871)
(Loss) from discontinued operations	-	-	-	(10,584)
Net gain on disposal of discontinued operations	-	-	-	160,812
(Loss) / Income and comprehensive (loss) / income for the period	(2,452)	(3,042)	(1,611)	148,357
Sales revenues (included within results of discontinued operations)	-	-	-	6,867
(Loss)/ income per common share (in US\$/share) (see note 1)				
(Loss) per common share from continuing operations	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.04)
(Loss) / income per common share	\$(0.02)	\$(0.04)	\$(0.04)	\$3.25
Weighted average number of common shares . basic and diluted (in thousands)	157,696	73,170	45,696	45,696

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

Expressed in US\$000s except where indicated	September 30 2009 (unaudited)	June 30 2009 (unaudited)	March 31 2009 (unaudited)	December 31 2008 (unaudited)
Loss from continuing operations	(2,661)	(3,050)	(3,030)	(88,681)
(Loss)/ profit from discontinued operations	(21,076)	5,755	(25,255)	(174,911)
(Loss) / Income and comprehensive (loss) / income for the period	(23,737)	2,705	(28,285)	(263,592)
Sales revenues (included within results of discontinued operations)	22,632	32,495	9,796	11,622
(Loss)/ income per common share (in US\$/share) (see note 1)				
(Loss) per common share from continuing operations	\$(0.06)	\$(0.07)	\$(0.07)	\$(2.30)
(Loss) / income per common share	\$(0.06)	\$0.06	\$(0.62)	\$(6.83)
Weighted average number of common shares . basic and diluted (in thousands)	45,696	45,696	45,696	38,598

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

FINANCIAL REVIEW

For the nine months to September 30, 2010 the Company recorded a loss from continuing operations of \$7.1 million, which includes exploration expenditure of \$1.7 million associated with the continued exploration and development of its Kyrgyzstan and Kazakhstan-based exploration projects

During the three months to September 30, 2010 the Company expanded its drilling activity for the Karchiga Project and also began work on the Karchiga Feasibility Study, which is expected to be completed by October 2011 with an estimated expenditure of \$4.7 million. In addition, the Company is awaiting the necessary regulatory approval in order to complete the Karchiga Acquisition for a purchase price of \$6,187,500 (further information on the Karchiga Project can be found in the "Operational Review - Karchiga Project, Kazakhstan"). Both the cost of the Karchiga Feasibility Study and the Karchiga Acquisition will be funded from the Company's available cash reserves.

On April 16, 2010 the Company completed the public offering and sale of 112 million units of securities (the "Units") at a price of CAD\$0.25 per Unit raising gross proceeds of CAD\$28 million or \$27.6 million (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"), equivalent to 56 million Warrants with each Warrant being exercisable to acquire one Common Share at a price of CAD\$0.50 for a period of two years. The Company incurred legal and professional fees of \$2.4 million and issued 6,720,000 non-transferrable warrants (the "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, with a calculated a fair value using the Black Scholes model of \$1.1 million to Canaccord Genuity Corp, ("Canaccord"), who acted as sole manager and book runner for the Offering. In the financial statements as at September 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.

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

For the three months ended September 30, 2010 the Company incurred a loss from continuing operations of approximately \$2.4 million, compared with a loss of approximately \$2.6 million for the three months ended September 30, 2009.

The loss of \$2.4 million for the three months ended September 30, 2010 consisted of administrative costs of \$1.3 million (compared with \$1.7 million for the three months to September 30, 2009), exploration costs of \$1.0 million (compared with \$0.6 million for the three months to September 30, 2009), a stock-based compensation charge of \$0.6 million (compared with a charge of \$0.4 million for the three months to September 30, 2009) and a net foreign exchange gain of \$0.5 million (compared with a \$0.1 million exchange gain for the three months to September 30, 2009).

The \$0.4 million year-on-year decrease in the Company's administrative costs was due primarily to lower staff costs of \$0.3 million, as a result of reduced head office non-operational headcount and salaries, and a \$0.1 million reduction in legal and professional charges, reflecting legal, professional and other advisory fees incurred during the quarter ended September 30, 2009 in relation to the disposition of the Varvarinskoye Project.

During the three months to September 30, 2010, exploration costs of \$1.0 million were \$0.4 million higher than for the three months to September 30, 2009. During the three months to September 30, 2010 the Company incurred exploration expenditure of \$0.5 million on the Karchiga Project due to the extended drilling activity and the commencement of the Karchiga Feasibility Study (\$0.4 million for the three months to September 30, 2009). The Company also expensed its 40% pro rata share of the Talas Project joint venture operating losses incurred of \$0.3 million for the three months to September 30, 2010. For the same period in 2009, the Talas Project joint venture had been fully funded by Gold Fields and had no impact on the results of the Company for that period. The Company also incurred exploration expenditure of \$0.2 million for the Akdjol-Tokhtazan Project during the three months to September 30, 2010 (\$nil for the three months ended September 30, 2009) in relation to activities that resulted in the recognition of the gold-silver epithermal prospect within the Akdjol-Tokhtazan Project.

The share based compensation charge for the three months to September 30, 2010 consisted of a \$0.6 million allocated charge for 13,950,000 options that were granted between April and August 2010, and will begin to vest between October 2010 and July 2012. The charge for the three months ended September 30, 2009 of \$0.4 million comprised an allocated charge for options that vested between December 31, 2009 and June 30, 2010. No options were granted during the three months to September 30, 2009.

The foreign exchange gain during the three months to September 30, 2010 was \$0.5 million (\$0.1 million for the three months to September 30, 2009) of which \$0.4 million in total arose due to the re-translation of the Company's Canadian Dollar cash assets of CAD\$9.2 million, from an exchange rate of CAD\$1.0627 as at June 30, 2010 to CAD\$1.0259 as at September 30, 2010 which gave rise to an exchange gain of \$0.3 million, and the re-translation of the Company's British Pound Sterling cash assets of GBP£1.7 million, from an exchange rate of \$0.6684 as at June 30, 2010 to \$0.6345 as at September 30 2010 which gave rise to an exchange gain of \$0.1

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million. A further \$0.1 million exchange gain was as a result of converting \$1.5 million to GBP£1.0 million during September 2010.

Cash and cash equivalents decreased by \$2.1 million during the three months to September 30, 2010 (compared to a decrease of \$1.6 million during the three months to September 30, 2009) due to corporate expenditures of \$1.0 million, exploration expenditure of \$0.8 million and funding of the Talas Project of \$0.3 million.

RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009

For the nine months ended September 30, 2010 the Company incurred a loss from continuing operations of approximately \$7.1 million (compared with a loss of \$8.7 million for the nine months ended September 30, 2009), consisting of administrative costs of \$3.6 million (compared with \$5.8 million for the nine months to September 30, 2009), exploration costs of \$1.7 million (compared with \$1.0 million for the nine months to September 30, 2009), a stock-based compensation charge of \$1.4 million (compared with a charge of \$2.0 million for the nine months to September 30, 2009) and a net foreign exchange loss of \$0.4 million (a net foreign exchange gain of \$0.1 million for the nine months ended September 30, 2009).

The \$2.2 million year-on-year decrease in the Company's administrative costs was due primarily to lower staff costs of \$0.9 million as a result of reduced head office non-operational headcount and salaries and a \$1.3 million reduction in legal and professional charges, reflecting legal, professional and other advisory fees incurred during the quarter ended September 30, 2009 in relation to the then ongoing Varvarinskoye Project re-financing and subsequent disposal negotiations.

Exploration costs for the nine months to September 30, 2010 of \$1.7 million were \$0.7 million higher than for the nine months to September 30, 2009. This increase is due to the Company expensing its 40% pro-rata share of the Talas Project joint venture operating losses incurred during the nine months to September 30, 2010 of \$0.7 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.

The share based compensation charge of \$1.4 million was \$0.6 million lower than for the nine months to September 30, 2009. The charge for the nine months to September 30, 2010 consists of \$0.3 million for options that vested on September 30, 2010 and a \$1.1 million allocated charge for 13,950,000 options that were granted between April and August 2010 and will vest between October 2010 and July 2012. The charge for the nine months ended September 30, 2009 of \$2.0 million consisted of \$0.7 million for options that vested on June 30, 2009 and a \$1.3 million allocated charge for options that vested between December 31, 2009 and September 30, 2010. No options were granted during the nine months to September 30, 2009.

Foreign exchange losses were \$0.4 million for the nine months to September 30, 2010. 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 firstly by foreign exchange gains during second quarter of \$0.2 million from the conversion of CAD\$12.2 million to \$11.7 million and \$0.2 million from the conversion of CAD\$3.8 million to GBP£2.5 million. Subsequently, during the third quarter, there were further foreign exchange gains of \$0.3 million and \$0.1 million from the re-translation of the Company's Canadian Dollar and British Pound Sterling cash assets respectively.

In respect of the Company's cash flows, the increase in cash and cash equivalents for the nine months ended September 30, 2010 of approximately \$19.4 million was due primarily to the receipt of the net proceeds of the Offering 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 \$0.6 million, exploration expenditure of \$1.0 million and corporate expenditure of \$4.4 million.

The decrease in cash and cash equivalents during the nine months to September 30, 2009 of \$5.5 million was due to head office salary costs, higher legal and professional costs incurred in respect of the Varvarinskoye Project re-financing and subsequent disposal negotiations, 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 SEPTEMBER 30, 2010 AND DECEMBER 31, 2009

As at September 30, 2010 the Company held net assets of \$44.4 million, compared with \$24.8 million as at December 31, 2009, representing an increase of \$19.6 million.

The increase of \$19.6 million in net assets was due mainly to the receipt of the net proceeds of the Offering of \$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 \$5.8 million.

The Company's ongoing funding requirements are for its corporate overheads, the continuation of its mineral property and project licence obligations, funding its 40% pro-rata share of the Talas Project exploration budget requirements, advancing the Karchiga Feasibility Study and funding the Karchiga Acquisition at a cash purchase price of \$6,187,500.

As at December 31, 2009 the Company held a 100% interest in the Talas Project and had included the carrying value of the Talas Project exploration properties of \$13 million within its Exploration Properties+ assets. As at September 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 at September 30, 2010, warrants valued in total at \$30.1 million relating to previous equity and debt fund raising had expired. The Company accounted for these in the financial statements as at September 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 September 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 September 30, 2010 is set out below:

	\$000s
Value of investment as at January 1, 2010	13,384
Funding provided by the Company during the nine months ended September 30, 2010	592
Less: Company's 40% share of losses for the nine months ended September 30, 2010	(656)
Carrying value of the Company's investment as at September 30, 2010	<u>13,320</u>

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2010 the Company's main source of liquidity was unrestricted cash of \$22.8 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 September 30, 2010, the Company's consolidated working capital was \$22.7 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 pursuant to which net proceeds of \$25.2 million were raised, the Company's liquidity has been significantly improved. The net proceeds 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, the advancement of the Karchiga Feasibility Study, the Karchiga Acquisition at a cash purchase price of \$6,187,500 and 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 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.

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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 September 30, 2010.

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

COMMITMENTS

The following table summarises the Company's future commitments as at September 30, 2010, as disclosed in the Company's financial statements under Canadian GAAP:

	2010	2011	2012	2013	2014 +	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Lease obligations	88	352	352	352	1,056	2,200

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

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 \$40.6 million incurred during the nine months ended September 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 Karchiga Project and 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;
- 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, and
- The Company and its remaining subsidiaries no longer have any outstanding long-term debt or hedging liabilities and obligations.

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 services in the amount of CAD\$303,094 and was granted 6.7 million 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 nine months ended September 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 is ongoing and is expected to result in accounting policy decisions, quantification of financial statement impact, impact on disclosures and 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

The Company completed the scoping and planning phase of the conversion plan during the third quarter and is proceeding with the detailed assessment phase which will require:

- the completion of a component evaluation (CE) and accounting policies;
- preparation of a transitional balance sheet for 2009 following the completion of the CE; and,
- completion of the final draft shell annual and interim IFRS consolidated financial statements.

The Company then plans to proceed with the operations implementation phase of the conversion plan, which will require:

- completion of the 2010 annual and interim consolidated financial statement IFRS comparatives; and,
- preparation of Q1 2010 consolidated financial statements under IFRS which will include three balance sheets: the transitional balance sheet, the prior year-end balance sheet and the first quarter-end balance sheet.

Post implementation, the Company expects that it will:

- consider the impact of the transition on its internal control processes, information technology controls, tax and other areas; and
- have the transitional balance sheet included and audited within the Q1 2011 interim IFRS consolidated financial statements.

MAJOR AREAS AFFECTED BY THE CONVERSION TO IFRS

As part of the completed scoping and planning phase of the IFRS conversion plan, the Company, with the assistance of PWC, completed a detailed assessment of the key differences between Canadian GAAP and IFRS that could potentially affect the Company's financial statements. 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 differences 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).
- 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 September 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.

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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.
- 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 September 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,

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- 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.

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 September 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.

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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 Variable Interest Entities (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 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

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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; risks associated with the Karchiga Scoping Study; 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. The suspension or termination of the Karchiga Project Contract may have a material adverse effect on the Company, its 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 MLD 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 MLD 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 MLD has not received any notification letter from the Competent Authority that GRK MLD conducted its activities in violation of either the Karchiga Project Contract or Kazakhstan laws. Every significant violation by GRK MLD 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 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. Such waiver was granted on October 25, 2010 and permits placement, sale or exchange of 241,851,581 Common Shares. As the Company, acting in good faith, disclosed in the waiver application to the Competent Authority the information on such past placements, the Company believes that the waiver covers the initial placement as well. The Company believes there is a remote risk that the Competent Authority will challenge such past placements by terminating the Company's subsoil use contract. 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.

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). 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 the country. The interim government took over the powers of the president, parliament and the central

government and dissolved the Kyrgyz parliament, and stated that it would remain in power until a new constitution had been adopted and new parliamentary elections held. On June 27, 2010, a referendum was held and 90.55% of the voters supported the new constitution and the election of Ms. Roza Otunbaeva as the President of the country. The new constitution provides that the Republic of Kyrgyzstan shall become a parliamentary republic, rather than a presidential republic. On October 10, 2010 the parliamentary elections were held, the results of which had not been finalised as at the date of this MD&A. Once the results of the elections are determined, the political party or a coalition of political parties with a majority of seats in the new parliament will select a candidate for the position of the Prime Minister who will in turn present to the new parliament for approval, the structure and composition of the new government. Whether 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 Akdjol-Tokhtazan Project or even the loss of the Company's interest in such properties, which, in the case of the Talas Project, could have a material adverse effect upon the Company, its financial condition and results of operations.

Other risks associated with the Company's business in the 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

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relating to certain potential liabilities connected to two dormant Kazakh subsidiaries of Three K, the Closed Joint Stock Company Satpaevskoye and Closed Joint Stock Company Zhaisan (jointly referred to as the "Dormant Subsidiaries"), which have been transferred to Polymetal in connection with the transaction but which are to be transferred back to the Company. As a first step in the transfer of the Dormant Subsidiaries back to the Company, the Dormant Subsidiaries were re-registered from Joint Stock Companies to Limited Liability Partnerships in Kazakhstan. Following this a new subsidiary of Orsu, Bauer Investment Corporation ("Bauer"), was registered in the British Virgin Isles as a vehicle to acquire the Dormant Subsidiaries. A Deed of Sale and Purchase was signed on September 30, 2010 between Three K and Bauer and, subject to regulatory requirements in Kazakhstan, the Company anticipates completing the transfer of the Dormant Subsidiaries to Bauer for a nominal consideration by Q4 2010.

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, 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 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 variable rate deposits 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. 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.

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

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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 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 Company's expectations with respect to obtaining a waiver of the State's pre-emptive right with respect to the Karchiga Project; the continued maintenance and exploration of the Company's properties, including the proposed work programs, anticipated milestones and the timing related thereto; development and operational plans and objectives; mineral resource estimates; estimated project economics, cash flow, costs and sources of funding; the completion of the Karchiga Acquisition and the timing related thereto; 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; the future price of copper; the schedule and nature of the work and studies required to be completed and approved in connection with the Karchiga Feasibility Study, including (without limitation) optimization studies, the Baseline Study, the ESIA and the Kazakh Feasibility Study; the Company's expectations regarding the completion of the Karchiga Feasibility Study and the timing of same; the Company's expectations regarding the start and completion of construction and production at the Karchiga Project and the timing related to same; the Company's beliefs relating to the production of sellable gold-copper-molybdenum concentrate (having the grading and recovery estimates set out above in %Quarter Highlights-) from the Taldybulak sulphide ore materials and that the results from the test and assay work conducted at the Tokhtazan Project confirm, respectively, the principal amenability of the Tokhtazan ores to heap leaching extraction of gold and encouraging results generally; 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 transfer of the Dormant Subsidiaries to the Company; 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 significance of any individual claims by non-resident members with respect to the Class Action Claim; and the Company's future growth and its 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 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, (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), that the waiver granted by the Competent Authority covers any pre-emptive right that the Competent Authority has in respect of any previous placements, 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 and to engage international and Kazakh companies to carry out additional studies for the Karchiga Feasibility Study and to obtain Kazakh Feasibility Study approval, that the Company has identified all of the key issues to be investigated in connection with the Karchiga Feasibility Study, the Company's interpretation of the intrusives of the Akdjol Prospect and the reinterpretation of the Akdjol Prospect as an epithermal gold-silver system, the treatment of the Varvarinskoye Project as discontinued operations, assumptions relating to the Company's critical accounting policies, and has also assumed that no unusual geological or technical problems occur, and that equipment works as anticipated, no material adverse change in the price of copper, gold or silver occurs and no significant events occur outside of the Company's normal course of business. In addition, the assumptions set out above in %Operational Review - Talas Project, Kyrgyzstan - Taldybulak Licence, Kyrgyzstan - 2010 Mineral Resource Estimates%were made in connection with the Taldybulak Mineral Resource. 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

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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 and/or the Taldybulak Mineral Resource; 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 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 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; and 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 for the year ended December 31, 2009 (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

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complete segregation of duties with respect to all internal control functions and processes. This failure to achieve complete segregation of duties combined with the decentralised nature of the Company's operations increases the risk of misstatement. This risk is proactively managed and mitigated through regular internal reporting of financial transactions, maximum use of system-generated transaction audit reports, stringent staff selection policies and employer references and by the Chief Financial Officer regularly visiting and reviewing the activities of the Company's overseas finance departments.

While management of the Company has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Company's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated. There were no changes made to the Company's ICFR during the period ended September 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 November 9, 2010:

Outstanding Securities	Number in issue
Common Shares	157,696,049
Old share purchase options ⁽¹⁾	17,500,000
New share purchase options ⁽²⁾	13,950,000
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 13,950,000 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