

**Management Discussion & Analysis
for the period ended August 31, 2010**

Prepared as at: October 11, 2010

Orosur Mining Inc.
Management's Discussion and Analysis
(Unaudited)

(Thousands of United States Dollars, except where indicated)

Management's discussion and analysis ("MD&A") provides a discussion of Orosur Mining Inc. ("the Company") financial and operating results for the quarter ended August 31, 2010 with comparisons to previous quarters.

This MD&A accompanies, and should be read in conjunction with, the un-audited interim financial statements and accompanying notes of the Company for the three month period ended August 31, 2010. All amounts are expressed in thousands of US\$, unless otherwise indicated. The reader should also refer to the audited financial statements for the two years ended May 31 2010 and 2009 and the related Management Discussion and Analysis ("MD&A"), both of which are available on the Company's website at www.orosur.ca and on SEDAR at www.sedar.com. The Company's financial statements and the financial data presented in this document have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A is effective as of October 11 2010.

1. HIGHLIGHTS

Financial highlights for the three-months ended August 31, 2010 include:

- During the quarter 369,175 tonnes of ore (Q1 09/10 – 384,195) were processed at an average grade of 1.18 g/t (Q1 09/10 – 1.15 g/t) to produce 12,937 ounces of gold (Q1 09/10 – 13,173) with a 92.6% of recovery (Q1 09/10 – 92.9%); production for the quarter at 12,937 ounces of gold was in the upper end of the target band for the quarter (12,000 to 13,000 oz).
- Cash costs per ounce of gold for the quarter were \$ 839 which is in line with the forecasted \$ 825 for the year. It shows a reduction compared to \$ 880 in the same quarter last year.
- The realized gold price was \$ 1,216 per ounce for the quarter compared to \$ 912 per ounce for the same quarter last year.
- The after-tax profit for the quarter is \$3,510 compared to a loss of \$2,158 same quarter in the prior year. Higher prices and higher sales volumes, similar costs and lower depreciation explain the improvement.
- Cash flow generated by operations before working capital was \$ 5,410 for the quarter (Q1 09/10 - \$ 30). The Company invested \$ 994 in capital and \$ 2,255 in exploration for the quarter compared to \$ 2,560 and \$ 1,680 respectively in Q1 09/10.
- OMI's cash position at the end of the quarter was \$ 10,746, with net working capital (current assets less current liabilities including cash) of \$ 21,071.

2. OUTLOOK AND STRATEGY

- The Company's forecast production for the 2011 financial year remains 55,000 ounces of gold at a cash cost per ounce of approximately \$ 825 as originally targeted. Variations in production and costs between quarters will occur as the mine plan is made up of different pits at different grades and stages of stripping. Production for the Q1 10/11 at 12,937 ounces of gold was in the upper level of the target band (12,000 to 13,000 oz). Production for the Q2 10/11 is expected to be at similar levels to Q1 and in the second half of the year, pits with higher head grade (Zapucay and Veta Sur) will produce above the average to reach the estimated 55,000 oz for the year.
- The Company's medium term objective is to grow its gold production profile in South America. The Company currently has one producing asset, San Gregorio, and it is mining from open pits with

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approximately three years of remaining mine life. Underground operations as explained below in section 3 of this MDA would extend mine life to six years and reduce average cash costs.

3. SUBSEQUENT EVENT

3.1 Pantanillo Norte

On September 1st, 2010, the Company announced the results of a maiden NI 43-101 mineral resource at Pantanillo Norte. Some 14,900 meters of historical drilling by Anglo American and Kinross has been followed by a further 5,600 meters drilled during the 2010 field season by OMI.

Total Measured and Indicated mineral resources are 47,093,000 tonnes at 0.69 g/t gold, for 1,049,071 ounces of gold, with a further 304,000 tonnes at 0.53 g/t gold, for 5,166 ounces of gold in the Inferred category. The following table gives a breakdown by category of the resource estimated by AMEC International Ingeniería y Construcción Limitada.

Ore Type	Cutoff Au (g/t)	Measured			Indicated			Measured + Indicated		
		Au (g/t)	Tons (kt)	Au Metal (oz)	Au (g/t)	Tons (kt)	Au Metal (oz)	Au (g/t)	Ton3 (kt)	Au Metal (oz)
		Oxide	0.3	0.72	19,806	456,349	0.55	1,752	30,963	0.70
Mixed	0.3	0.70	16,011	361,246	0.65	8,336	173,619	0.68	24,348	534,865
Sulphide	0.5	0.72	748	17,328	0.68	440	9,566	0.70	1,187	26,894
Total ¹		0.71	36,565	834,924	0.63	10,528	214,148	0.69	47,093	1,049,071

¹ Totals may differ slightly from sum or weighted sum of numbers due to rounding.

A second phase of metallurgical test work and drilling is planned to evaluate the deeper sulphide mineralization, which is assumed to have lower recoveries and potentially may require alternative processing methods. Work on the scoping study for Pantanillo commenced in June 2010. Key aspects to be assessed will be the metallurgical characteristics, environmental studies and water and infrastructure requirements.

3.2 Feasibility Study Arenal Deepes

The Company released the results of feasibility work on Arenal Deepes deposit, on September 7th, 2010. The development of Arenal Deepes is expected to extend mine life, increase grade and therefore reduce cash costs. AMEC made this feasibility study (FS) for Arenal Deepes.

A summary of the feasibility study results are shown below:

Summary of Financial Results	LOM
Gold payable	oz 000 135
Total cash costs	\$/oz 545
Cumulative net cash flow	\$ 000 26,283
Internal rate of return	% 32.3%
Net present value @ 7.0%	\$ 000 16,372
Total life-of-mine (LOM) capital	\$ 000 24,690
Total LOM operating costs	\$ 000 73,382

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The financial results indicated a six-year mine life, with an IRR of 32.3%. The gold price assumption for the FS was a constant gold price of \$1,000/oz and figures are pre-tax. No other metals were considered payable. The Board will consider the approval of the Arenal Deeps project in the coming month.

The FS envisages two underground mining methods, inclined room-and-pillar (IRP) and transverse stoping (TS), based on probable mineral reserves, (effective date 1 June 2010), as follows:

Method	Tonnes (kt)	Grade (g/t Au)	Contained Ounces (koz)
IRP	276	2.53	22
TS	830	3.25	87
<i>Total Probable Mineral Reserves in Stopes</i>	1,106	3.06	109
Development	462	2.38	35
<i>Total Probable Mineral Reserves</i>	1,568	2.87	145

Notes to accompany Mineral Reserve Table:

1. Underground Mineral Reserves are confined to designed stopes;
2. A cut-off grade of 1.3 g/t Au is used for the TS, and 1.5 g/t Au for the IRP;
3. Mineral Reserves are reported using a gold price of \$850/oz;
4. Tonnages and ounces are rounded to the nearest 1,000 tonnes, grades are rounded to two decimal places;
5. Tonnage and grade measurements are in metric units, ounces are troy ounces

3.3 Drilling results Vaca Muerta

On October 5th, 2010, the Company announced completion of a seven hole reverse circulation drilling programme at Vaca Muerta totalling 600 metres and all seven holes encountered anomalous gold values. The best intercepts, results shown in the table below, demonstrate strong, shallow gold mineralisation that is open along strike in both directions as well as down dip.

Hole	From	To	Interval (m)	Gold Au g/t
VMRC016	43	59	16	2.58
VMRC018	63	66	3	1.71
VMRC019	53	79	26	2.30

Grades were calculated using a cutoff of 0.5g/t Au. Samples were processed using OMI's In house Laboratory using fire assay with atomic absorption finish. For quality control purposes 5% of samples are reanalysed at external laboratories.

Vaca Muerta is located 85 kilometres east of the Company's San Gregorio gold mine in northern Uruguay in the Isla Cristalina Belt.

Vaca Muerta mineralization is similar in style to the San Gregorio deposits. Host rock granites are strongly foliated and sheared and contain zones of Quartz/FeOx/Sericite/Pyrite veining.

4. OVERVIEW OF FINANCIAL RESULTS

4.1 Profit and loss

During the quarter, the Company reported a net profit after taxes of \$ 3,510 or \$ 0.05 per share, compared to a net loss of \$ 2,158 or \$ (0.04) per share for the first quarter of the previous year. Contribution margin for San Gregorio operation increased to \$ 6,329 for the quarter from \$ 637 for the corresponding quarter of the previous year. Table 1 opposite shows the breakdown of the profit (loss).

Table 1 Profit (Loss) breakdown

	Q1 10/11	Q1 09/10	Reference
	\$000's	\$000's	
Revenue	18,213	12,498	4.2
Operating expenses	(11,884)	(11,861)	4.4
Contribution margin	6,329	637	
Amortization	(1,480)	(2,593)	4.5
Operating profit (loss)	4,849	(1,956)	
Fair value of derivatives	(212)	464	5.5
Exploration expense	(317)	0	5.3
Others	(277)	(674)	4.6
Profit (loss) before taxes	4,043	(2,166)	
Income tax	(533)	8	
Profit (loss) after taxes	3,510	(2,158)	
Basic earnings (loss) per share	\$ 0.05	\$ (0.04)	

The increase in contribution margin is explained by a higher number of ounces sold at a higher average price. The Company continues its efforts to contain and reduce operating costs.

The provision for income tax in the current quarter of \$533 comprises the provision for current tax in the quarter for \$117 and deferred tax related to the effect of the appreciation of the US dollar against the Uruguayan peso for \$416.

4.2 Operating revenues

Revenues include gold and silver sales. For the first quarter of the previous year revenues also include export costs refunds granted by the Government of Uruguay that were cancelled on October 2009. Table 2 shows a breakdown of operating revenues.

Total sales of gold for the quarter were \$ 17,905 from 14,722 ounces of gold sold at an average price of \$ 1,216 per ounce. This compares to \$ 12,028 for the first quarter of the previous year with 13,188 ounces of gold sold at an average price of \$ 912 per ounce. Higher ounces sold and improved average price both contributed to the revenue increase of \$ 5,715 on a quarter to quarter comparison.

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4.3 Production statistics

Key production statistics are shown in Table 3 below. During the quarter 1,921,181 tonnes were mined (Q1 09/10 – 3,244,201 tonnes), including 1,798,196 tonnes of waste (Q1 09/10 – 2,847,149) and 122,985 tonnes of ore (Q1 09/10 – 397,052) with an average grade of 2.06 g/t (Q1 09/10 – 1.00 g/t), to provide a final strip ratio for the period of 14.6 tonnes of ore to 1 tone of waste (Q1 09/10 – 7.2). Ore mined is sourced from several veins and pits at a different stripping stages.

During the quarter 369,175 tonnes of ore (Q1 09/10 – 384,195) were fed into the plant at an average grade of 1.18 g/t (Q1 09/10 – 1.15 g/t) to produce 12,937 ounces of gold (Q1 09/10 – 13,173) with a recovery of 92.6% (Q1 09/10 – 92.9%);

Quarterly production statistics are provided in table 4 below.

Table 2 - Sales composition

Q1 – 10/11	\$ 000's	Oz	\$ per oz
Gold	17,905	14,722	1,216
Silver	308	15,264	20
Export refund	0		
Total Sales	18,213		
Q1 – 09/10	\$ 000's	Oz	\$ per oz
Gold	12,028	13,188	912
Silver	204	14,539	14
Export refund	266		
Total Sales	12,498		

Table 3 – Key production statistics

		Q1 -10/11	Q1 - 09/10
Waste mined	tons (000's)	1,798	2,847
Ore mined	tons (000's)	123	397
Total mined	tons (000's)	1,921	3,244
Strip ratio	Waste / Ore	14.6	7.2
Grade mined	(g/tons Au)	2.06	1.00
Ore processed	tons (000's)	369	384
Grade processed	(g/tons Au)	1.18	1.15
Recovery	%	92.6	92.9
Gold produced	Ounces	12,937	13,173

Table 4 - Quarterly production statistics

	Q2 Nov 08	Q3 Feb 09	Q4 May 09	Q1 Aug 09	Q2 Nov 09	Q3 Feb 10	Q4 May 10	Q1 Aug 10
Ore processed (tonnes)	303,740	332,704	389,341	384,195	362,416	389,139	395,726	369,175
Grade processed (g/t Au)	1.72	1.96	1.58	1.15	1.25	1.09	1.39	1.18
Recovery (%)	94.2	92.5	92.8	92.9	93.6	93.5	93.6	92.6
Gold produced (ounces)	15,837	19,371	18,500	13,173	13,580	12,742	16,555	12,937

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4.4 Production costs

Total operating costs for the quarter were \$ 11,884 equivalent to cash cost per ounce of \$ 839 compared to \$ 11,861 and cash costs per ounce of \$ 880 for the corresponding quarter of the previous year. Table 5 provides the reconciliation of operating expenses to cash cost per ounce.

Cash cost is a non-GAAP measure which is explained in reference 11 of this MD&A document.

	Q1 10/11 \$ (000's)	Q1 09/10 \$ (000's)
Operating expenses	11,884	11,861
Movement in non ore inventories	(804)	308
Export refund and silver credit	(308)	(470)
Other adjustments	81	(107)
Total cash costs	10,853	11,592
Gold production in ounces	12,937	13,173
Total cash costs per ounce	839	880

4.5 Amortization and depreciation

Amortization and depletion expense was \$ 1,480 for the quarter compared to \$ 2,593 for the corresponding quarter of the previous year. Depreciation includes straight line depreciation of fixed assets and the depreciation of mine properties based on contained ounces of gold in ore mined. Table 6 provides a breakdown of depreciation between fixed assets and mine properties.

Table 6 - Depreciation composition

	Q1 10/11 \$000's	Q1 09/10 \$000's
Fixed Assets	1,215	1,282
Other mine properties	265	1,311
Total depreciation	1,480	2,593

Mine properties amortization decreased on a quarter to quarter comparison as current quarter production is related to pits and veins with lower associated capitalized development costs.

4.6 Other revenues and expenses

Other revenues and expenses include corporate overhead costs, stock based compensation expense, net interest and bank commissions, capital tax, foreign exchange gains and losses, sales from assets disposition and other items. A breakdown of these revenues and expenses are shown in Table 10.

Table 10 - Other revenues and expenses composition

	Q1 10/11 \$000's	Q1 09/10 \$000's
Corporate overheads	673	674
Stock based compensation	59	94
Foreign exchange loss (gain)	(260)	17
Net interest loss (gain)	15	71
Capital tax	65	70
Other income	(275)	(252)
Total other revenues and costs	277	674

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Corporate overheads include corporate administration expenses in Canada, Uruguay and Chile, holding structure costs, listing and regulatory expenses, director's fees and the costs related to corporate work to develop the business.

Other gains for the quarter include the provision of drilling and laboratory services to partners in Iron ore and diamond ventures and other mining companies operating in Uruguay.

5. LIQUIDITY AND FINANCIAL RESOURCES

5.1 Cash and other liquid resources

As shown in Table 11, cash increased by \$ 2,055 from \$ 8,691 at the beginning of the quarter to \$ 10,746 by August 31, 2010.

Cashflow from operations includes the results from the San Gregorio operation less the cost of general and administrative expenses, interest and income taxes.

Table 11 - Cash increase (decrease)

	Ref.	Q1 10/11 \$000's	Q1 09/10 \$000's
Cash flow from operations before working capital investment		5,410	30
Working capital investment	4.2	(103)	2,629
Exploration investment	4.3	(2,255)	(1,680)
Site capital expenditure	4.4	(994)	(2,296)
Funding	4.5	(3)	(21)
Cash increase (decrease)		2,055	(1,338)

5.2 Working capital items

The Company invested a net of \$ 103 in working capital for the first quarter, compared to a release of working capital of \$ 2,629 for the corresponding quarter of the previous year, resulting in net cash inflows from operations of \$ 5,626 and \$ 2,659 for the quarters of the current and previous year respectively.

During the current quarter the company processed 246,190 tons of ore from stockpiles to complement ore from pits and veins under production or development. The Company continues its effort to reduce its level of warehouse inventories.

Table 12 - Working capital investment

	Q1 10/11 \$000's	Q1 09/10 \$000's
Cash flow from operations before working capital investment	5,729	30
Warehouse inventories	631	417
Stockpile	1,029	1,296
Other production inventories	803	(307)
Supplier's net of prepayments	(3,095)	1,610
Tax credits and other debtors	529	(387)
Total working capital investment	(103)	2,629
Cashflow from operations after working capital investment	5,626	2,659

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The release of working capital from reduction in inventories was offset by a reduction in accounts payable to commercial suppliers. The increase in the balance of receivables net of prepayments is due to advances made to partners in the diamond and iron ore farm outs while supporting them to commence operations in Uruguay.

5.3 Capital expenditure

Capital expenditure on property, plant and equipment and mineral properties was \$ 994 for the quarter compared to \$ 2,296 for the corresponding quarter of the previous year. Main investments were Arenal Deeps development (\$ 400) and replacement of major components for mobile equipment (\$ 360),

Cash exploration expenditure was \$ 2,572 for the quarter compared to \$ 1,680 in the corresponding quarter of the previous year. Cash exploration expenditure for the quarter includes \$ 310 for severance payments to the Company's drilling operators and support staff. Given the excess of capacity for the drilling planned for the near future, the Company has decided to sell its own fleet and outsource drilling as needed to reduce exploration fixed costs. Severance payments have not been associated with any specific project and written off.

Table 13 summarizes expenditure on exploration during the quarter. Work performed in Uruguay focused on resource definition for Santa Teresa, Zapucay, Argentinita, Knob hill and Picaflor. Chilean expenditure during the quarter focused on exploration on Anillo and Incahuasi properties and on development work for Pantanillo.

Table 13 – Exploration investment by area

Project Area	Uruguay Isla Cristalina	Uruguay Other	Chile	Total
Balance May 2010	2,107	9,767	12,976	24,850
Cash expenditure	1,392	67	796	2,572
Transfer to mine properties	(661)	0	0	(661)
Balance August 2010	2,838	9,834	13,772	26,444

5.4 Funding

During the quarter, 125,000 stock options were granted at an exercise price of CAD\$ 0.395 while no employee options were granted in the corresponding quarter of the previous year. No options were converted into shares.

As at August 31, 2010 the Company had 2,874,850 outstanding stock options (August 31, 2009 – 3,038,750 options) at a weighted average exercise price of CDN\$ 2.00 (August 31, 2009 – CDN\$ 3.00), of which 1,924,183 were vested (August 31, 2009 – 1,727,583) at a weighted average exercise price of CDN\$ 2.48 (August 31, 2009 – 3.63).

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Except for a minimum debt for the acquisition of light vehicles, the Company is debt free and no warrants or convertible notes are outstanding. The Company continues to fund its exploration and growth programs via cash flow from operations.

The outstanding shares at period end and at the time of this MDA are 64,795,426.

5.5 Financial instruments

The Company does not enter into financial instruments for trading or speculative purposes. The level of derivatives contracts done in the past has been consistent with forecasted production.

During May 2010, the Company purchased 14,000 put options for quarter ending 31 August 2010 at a strike price of \$ 1,065 per ounce, \$ 75 below the spot price at the time the options were purchased, for a premium of \$ 212 (or \$ 15 per ounce hedged).

5.6 Contractual obligations and commitments

The Company's contractual obligations and commitments are as follows

	Total	Less than 1 Year	1-2 Years	2-3 years	More than 3 years
Debt	30	19	11	-	-
Asset Retirement Obligations	2,977	393	1,127	659	798
Total	3,007	412	1,138	659	798

Commitments derived from exploration farm-outs and acquisition agreements are disclosed in Note 9 of our Financial statements for the year ended May 31, 2010 with the updates in note 6 of the interim financial statements for the current quarter.

Uruguayan mining and environmental legislation requires environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of \$ 1,500 has been provided by HSBC Bank Uruguay local branch.

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6. QUARTERLY RESULTS

	Qtr 2 Nov 2008	Qtr 3 Feb 2009	Qtr 4 May 2009	Qtr 1 Aug 2009	Qtr 2 Nov 2009	Qtr 3 Feb 2010	Qtr 4 May 2010	Qtr 1 Aug 2010
Gold sold (ounces)	13,754	20,002	19,353	13,188	13,678	11,662	16,376	14,722
Average sales price (\$/oz)	796	822	841	912	1,065	1,110	1,157	1,216
Cash operating cost (\$/oz)	811	547	702	880	871	984	629	839
Operating revenues	11,659	17,125	16,871	12,498	14,811	13,152	19,152	18,213
Operating expenses	(12,351)	(11,071)	(13,129)	(11,861)	(12,355)	(12,173)	(10,560)	(11,884)
Contribution Margin	(692)	6,054	3,742	637	2,456	979	8,592	6,329
Administration expenses	(1,315)	(860)	(745)	(838)	(1,074)	(1,003)	(1,085)	(797)
Amortization and depletion	(5,971)	(4,600)	(6,355)	(2,593)	(3,044)	(2,228)	(1,697)	(1,480)
Fair value of derivatives	733	(901)	1,232	464	0	0	(109)	(212)
Exploration write off	0	(775)	(1,919)	0	(371)	(11)	(232)	(317)
Interest expense and debt accretion	(63)	(80)	(25)	(71)	(76)	(43)	(59)	(15)
Foreign exchange difference	176	13	11	(17)	6	(73)	(32)	260
Interest earned and other income (expenses)	85	32	68	252	1,199	33	136	275
Income Tax	(860)	19	1,495	8	1,580	(574)	289	(533)
Net income (loss) for the period	(7,907)	(1,098)	(2,496)	(2,158)	676	(2,920)	5,803	3,510
Basic earnings per share	(0.16)	(0.02)	(0.05)	(0.08)	0.014	(0.05)	0.09	0.05
Cash flow from (used in) operations	(1,954)	4,091	3,760	2,659	2,125	1,108	5,783	5,307
Cash from (used for) financing	(47)	(46)	(35)	(21)	(9)	4	76	(2)
Cash invested	(3,911)	(2,433)	(2,280)	(3,976)	(883)	(3,383)	(4,285)	(3,249)
Cash on hand	6,439	8,051	9,496	8,158	9,391	7,150	8,691	10,746
Total Assets	71,655	70,742	63,516	62,665	65,044	70,857	78,331	78,764
Shareholders Equity	56,084	54,936	52,549	50,485	51,371	56,176	62,060	65,629

Variations in production and costs between quarters will occur as the mine plan is made up of different pits at different grades and stages of stripping.

7. RISKS AND UNCERTAINTIES

The Company's net earnings in the near-term are affected principally by its mining operations and, in the longer term, will be affected primarily by the success or failure of its exploration and development activities. The Board recognizes that the exploration and development of natural resources is a speculative activity that involves a large numbers of uncertainties, and a degree of financial risk. Accordingly the Board considers the risks to which the Corporation is exposed as part of its regular operations, and keeps these under review.

The principal risks are considered to be those set out below (refer to AIF for a comprehensive listing):

Sensitivity to commodity prices and foreign exchange rates

The Company's revenues, net earnings and cash flow from operations are affected materially by changes in the price of gold. Gold has historically been subject to large price fluctuations, and is affected by factors which are unpredictable, including international economic and political conditions, speculative activities, the relative exchange rate of the US dollar with other currencies, inflation, global and regional levels of supply and demand and the gold inventory levels maintained by producers and others.

The Company's gold sales are priced in US dollars while its operating costs are predominantly incurred in US dollars, Canadian dollars, and Chilean and Uruguayan pesos. The Company has financial exposure to foreign exchange fluctuations in the Uruguayan and Chilean peso and the Canadian dollar relative to the US dollar.

Key Personnel Risks

Recruiting and retaining qualified personnel is critical to the Company's success. The number of skilled mining and exploration professionals in Uruguay is limited and competition for such persons is intense in the global mining industry. As the Company's business activity continues to grow, it will be required to hire additional personnel and retain the services of key personnel. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Exploration, Mining and Operational Risks

The Company's longer term strategy depends to a certain extent on its ability to find commercial quantities of minerals within Uruguay, and to obtain and retain appropriate access to these minerals. The Board cannot guarantee that it will be able to identify appropriate properties, or negotiate acquisitions, on favorable terms.

The Company's currently has one producing asset, the San Gregorio project. As more of its projects mature, the Board expects that more projects will develop into producing assets. In common with all mining operations, there is uncertainty, and therefore risk, associated with operating parameters and costs. Whilst costs can be budgeted with a reasonable degree of confidence, operating parameters can be difficult to predict and are often affected by factors outside the Group's control. In addition, other risks, including cuts in electricity supply, fuel supply shortages, industrial accidents, technical failures, labour disputes and environmental hazards are also beyond the Group's control.

The nature of resource and reserve quantification studies means that there can be no guarantee that estimates of quantities and grades of minerals will be available to extract. The figures for reserves and resources estimates are determined in accordance with National Instrument 43-101, issued by the Canadian Securities

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Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and resources

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. There is no assurance that commercial quantities of ore will be discovered on any of UME's exploration properties. There is no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced

The Company's business activities are also affected to varying degrees by government regulations respecting, among other things, tax, royalties, utilities service supply, mining legislation and environmental legislation changes.

Title Risks

Individual titles expire from time to time and the Company manages the process of retaining its rights by re-application or conversion to other forms of title relevant to each stage of development. The process of re-application involves some risk however, as released titles must fall open before they can be re-applied for.

There can be no guarantee that the State in the jurisdictions in which the Company operates will continue to grant or respect mining titles, and that the titles of the properties will not be challenged or negated for political or legal reasons.

Political and Economic Risks

Political conditions in the countries where the Company operates are stable. Changes may however occur in political, fiscal and legal system that might affect the ownership or operation of the Group's interests, including inter alia, changes in exchange control regulations, expropriation of mining rights, changes of government and in legislative and regulatory regimes.

8. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may vary from related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Economic lives of mining assets and recoverable value

The economic lives of the Company's mining operation and development assets is based upon the individual mine's mineral reserves. The Company's resources and reserves are calculated in accordance with mining standards and in compliance with NI 43-101 requirements. The Company reviews and re-evaluates the estimated future discounted net cash flows of its mines and development properties on a regular basis, to

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ensure that they exceed the carrying value for each property. These calculations rely on estimated reserves and/or resources, estimated future commodity price and production cost.

Inventory

The value assigned to ore stockpiles, in process inventories and finished metal inventories are based on estimated volumes and grades. Volume and grade estimates are made relying on assays and other sampling tests.

Asset retirement obligation

The fair value of the liability is determined based on the net present value of estimated future costs estimated by management based on feasibility and engineering studies on a site by site basis. The discounted value of these asset retirement obligations was as at August 31, 2010 \$ 2,977 and is included in the mine closure and site restoration liability. While care was taken to estimate the retirement obligations, these amounts are estimates of expenditures that are not due until future years;

Share based compensation

The Company has chosen to use the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipated life of the option and the volatility of the company's share price;

Net future income tax assets and liabilities

Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the carrying amount of future income taxes;

Exploration and evaluation expenditure

The recoverability of amounts shown for capitalized exploration and evaluation expenditure is dependant upon the discovery of economically recoverable reserves.

9. CHANGES IN ACCOUNTING POLICIES

There are no further changes in GAAP other than those described in year end 2009/2010 MDA.

10. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Continuous Disclosure Policy Procedure, our Code of Business Conduct and Ethics, our

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Insider Trading Policy and Share Trading Code and Price Sensitive Information Policy, our Whistleblower Policy, Release of Public Information Policy and the effective functioning of the Audit Committee and Board of Directors.

As at the end of the period covered by this MD&A, management of the Corporation, with the participation of the President and CEO and the CFO, does not expect that the Corporation's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud and error, if any, within the Corporation have been detected.

As at the end of the period covered by this MD&A, management of the Corporation, with the participation of the CEO and the CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the President and CEO and the CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Multilateral Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined therein, for the Corporation, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP, and that the Corporation has disclosed any changes in its ICFR during its most recent interim period that has materially affected, or is reasonably likely to materially affect its financial reporting.

As discussed above, the inherent limitations in all controls systems are such that they can provide only reasonable, not absolute, assurance that all controls issues and instances of fraud or error, if any, within the Corporation have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During the period covered by this MD&A, the Corporation's senior management, including CEO and CFO, evaluated the existence and design of the Corporation's ICFR and confirm there were no changes to the ICFR that have occurred during the quarter which materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

11. NON GAAP MEASURES

Cash flow from operations, contribution margin and cash cost per ounce are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non GAAP measures. Therefore these measures may not be comparable to similar measures presented by other issuers. These measures have been presented in this MD&A as additional information regarding the Company's financial performance and financial position. Cash flow from operations is calculated by adding back non-cash items to net earnings. Contribution margin has been calculated by deducting operating expenses from sales. Operating expenses include movements in inventories but exclude operating amortization and depletion. Cash cost per ounce are determined according to the Gold Institute Standard and consist of site costs for all mining, processing, administration, royalties, refining charges, silver credits and inventory adjustments relating to metal production. Capital expenditure, depletion and amortization, corporate costs and financing costs are not included. Cash costs are total cash costs divided by gold ounces produced.

12. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that changeover for publicly-listed companies to adopt IFRS, replacing Canadian GAAP, will be effective for interim and annual financial statements of the Company relating to fiscal years beginning on or after June 1, 2011. The transition will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended May 31, 2011.

During calendar 2010, the Company plans to undertake an IFRS diagnostic study with a view to assessing the main areas expected to be impacted through the transition to IFRS on the Company's accounting policies and to establish a project plan to implement IFRS. A number of key accounting areas where IFRS differs from current accounting policies and accounting alternatives in those and other key accounting areas will be identified and reviewed. In 2011, the Company will evaluate the alternatives and analyze the impact upon the implementation of IFRS, calculate the IFRS transition adjustments that impact the financial statements as well as assessing the disclosure requirements of IFRS on the Company's financial statements.

The IFRS diagnostic study will also identify key system, staffing, and business process areas that will be addressed as part of the conversion project. These include: the development of an accounting policy manual that defines the Company's IFRS accounting policies, identification of the significant financial data required from the Company's financial systems in order to define the transition adjustments and produce IFRS financial statements on an on-going basis, possible system modifications as well as change analysis and maintenance of effective disclosure controls and controls over financial reporting throughout the IFRS transition period.

A high-level assessment has already been conducted and a number of key accounting areas where IFRS differs from current accounting policies have been identified and the Company is planning to analyze them further as part of the diagnostic exercise during 2010. At this stage the impact on the financial position and future results of the conversion has not yet been reliably determined.

13. FORWARD LOOKING STATEMENTS

Certain information contained in this Management Discussion and Analysis constitutes "forward- looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and forward looking information under applicable Canadian Securities Legislation. Such forward-looking statements or information, included but not limited to those with respect to prices for gold, estimated future production, estimated costs of production, the Company's hedging policy involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information. Important factors that could cause actual results to differ materially from those in the forward looking statements contained herein include among others, gold price, weather, exploration results, development and mining activities, geotechnical assumptions, environmental approvals and the availability of technical personnel.