



**Management Discussion & Analysis
for the period ended November 30, 2009**

Prepared as at: January 14, 2010

Orosur Mining Inc.
Schedule of Deferred Exploration and Evaluation Costs
(Unaudited)

(Thousands of United States Dollars, except where indicated)

Management's discussion and analysis ("MD&A") provides a discussion of the Company's financial and operating results for the quarter and the six month period ended November 30, 2009 with comparisons to previous quarters.

This MD&A accompanies, and should be read in conjunction with, the unaudited interim financial statements and accompanying notes of Orosur Mining Inc. ("OMI" or "Company") for the three and six month period ended November 30, 2009. All amounts are expressed in thousands of US dollars, unless otherwise indicated. The reader should also refer to the audited financial statements for the two years ended May 31, 2009 and 2008 and the related Management Discussion and Analysis ("MD&A"), both of which are available on the Company's website at www.uruguayminerals.com 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 January 14, 2010.

1. HIGHLIGHTS

Financial and operational highlights for the period ended November 30, 2009 include:

- Production at 13,580 ounces of gold was approximately 10% below expectations due to the exceptionally high precipitation and the overall grade of ore mined at San Gregorio East was less than modelled. During November 2009, more than 600 mm of rainfall fell, equivalent to one half times the average annual rainfall for the region. It is estimated that high rainfall levels caused a deferral of approximately 900 ounces of production.
- Cash costs per ounce of gold for the quarter were \$US 871 compared to \$ US 811 for same quarter last year due to lower production.
- The realized gold price was \$ 1,065 per ounce for the quarter compared to \$ 796 per ounce same quarter last year.
- Cash flow from operations for the quarter was \$ 1,760, and the Company's cash position at the end of the quarter was \$ 9,391, with net working capital (current assets less current liabilities) of \$ 20,164 .
- Definition drilling continued for the Arenal Deeps deposit. The program to date has generally confirmed or increased the grade as compared to the April 2009 resource model. The Arenal Deeps resource drilling program was completed in December 2010 and the delivery of the resource model and estimation is on schedule for March, 2010. The Arenal Deeps feasibility work is advancing according to schedule to be completed June, 2010.
- On January 7th, the Company announced the completion of the plan of arrangement by which UME acquired all of the issued and outstanding common shares of Fortune Valley Resources. This is a major step in the growth aspirations of the Company and into a recognized mining market such as Chile.
- OMI's exploration team has been established already in Chile and is ready to commence exploration of one of the newly acquired and high potential projects immediately.

2. STRATEGY AND OUTLOOK

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, mining from open pits with approximately three years of remaining mine life. The Company has defined an underground resource at Arenal Deeps and it is currently upgrading this resource and completing feasibility work to commence underground operations and extend mine life. The Company has a significant portfolio of exploration projects within Uruguay and continues to invest in exploration to improve the San Gregorio mine plan.

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Subsequent to the end of the quarter, the Company completed the acquisition of Fortune Valley inc ("FV"). FV has optioned the Pantanillo property in the Maricunga Belt in Chile from Anglo American. As reported by Fortune Valley in their press release dated October 5, 2009 historical geological work on the Pantanillo property by Anglo American (1985-1998) and Kinross Gold (2005-2008) has defined a potential mineral deposit estimated to be in the range of 82 to 125 million tonnes grading 0.83 to 0.73 g/t gold, using a 0.6 to 0.5 g/t gold cut-off for the lower and higher tonnage estimates respectively, which is equivalent to 2.18 to 2.95 million ounces of contained gold. This preliminary assessment was made by Kinross Gold in 2007 and was estimated based on a total of 8,398 meters of reverse circulation drilling and diamond drilling. The potential quantity and grade of the potential mineral deposit is conceptual in nature as there has been insufficient exploration to define a mineral resource in accordance with disclosure guidelines in National Instrument 43-101 Standards of Disclosure for Mineral Projects and it is uncertain if further exploration will result in the target being delineated as a mineral resource. Objective is to develop a second producing asset within 4 years.

During the second half of the 2010 financial year, OMI will focus on completion of the Arenal Deepes NI 43-101 compliant resource and feasibility study, and on a planned exploration and development program at the newly acquired Pantanillo property in Chile.

Production for the first half was below forecast due to heavy rainfall in the second quarter and the lower grade of ore mined. The company is planning for continued lower grade in the second half of the year and has adjusted its reforecast to 55,000 to 57,500 ounces for the full year. Cash cost per ounce is forecast to be \$US 825, reflecting lower production equivalent to \$US 50 per ounce and higher costs due to exchange rate movements (peso has appreciated 20%), higher fuel prices (increased approximately 20%) and the elimination of export refunds on gold sales.

3. SUBSEQUENT EVENTS: FORTUNE VALLEY ACQUISITION AND NAME CHANGE

On October 5, 2009 the Company announced it entered into a letter of intent with Fortune Valley Resources ("Fortune Valley") pursuant to which the Company proposed to acquire all of the issued and outstanding common shares of Fortune Valley. At the same time, the Company provided interim financing to Fortune Valley in the form of a convertible debenture of CDN\$ 250,000 issued by Fortune Valley to allow it to complete the acquisition of the option on the Pantanillo property in the Maricunga Belt in Chile from a subsidiary of Anglo American PLC. The convertible debenture bears no interest. The option to convert into shares was not exercised as part of the conditions of the transaction.

On November 8, 2009, the Company announced that it had signed the definitive arrangement agreement to combine their respective businesses. On January 7, 2010, the Company announced the completion of the plan of arrangement, pursuant to which the Company acquired all of the issued and outstanding common shares of Fortune Valley in consideration for 0.4534 of one of the Company's common share plus C\$0.001 in cash for each common share of Fortune Valley.

The Arrangement was carried out pursuant to the provisions of the Business Corporations Act (*British Columbia*) and was approved by the Supreme Court of British Columbia and the affirmative vote of Fortune Valley's shareholders at a special meeting of the shareholders held on December 29, 2009.

The Company also announced on January 8 that its common shares would commence trading under the name Orosur Mining Inc. The new TIDM of the Company on the London Stock Exchange and symbol on the TSX Venture Exchange

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will be "OMI". The change in name to Orosur Mining Inc, reflects the broader focus of the Company on South America gold development rather than in Mineral Exploration in Uruguay.

4. OVERVIEW OF FINANCIAL RESULTS

4.1 Loss before taxes

Results for the quarter and year to date have improved compared to last year although still resulted in a loss before tax for the quarter of \$ 904. The Contribution Margin of the site operations is positive for the quarter and year to date (\$2,456 and \$ 3,093 respectively).

Table 1 - Profit and Loss

	Ref.	Q 2 09/10	Q2 08/09	YTD 09/10	YTD 08/09
		\$000's	\$000's	\$000's	\$000's
Revenue	4.2	14,811	11,659	27,309	29,380
Operating expenses	4.4	(12,355)	(12,351)	(24,216)	(27,154)
Contribution Margin		2,456	(692)	3,093	2,226
Amortization	4.5	(3,044)	(5,971)	(5,637)	(8,971)
Operating loss		(588)	(6,663)	(2,544)	(6,745)
Fair value of derivatives	5.6	0	733	464	(795)
Exploration expenses written off	5.4	(371)	0	(371)	0
Other gains (expenses)	4.6	55	(1,117)	(619)	(2,386)
Loss before taxes		(904)	(7,047)	(3,070)	(9,926)

Production has been lower than last year while the Contribution Margin has been positively affected by gold price and the cost reduction program carried

out in the last months (costs are analyzed in section 4.4 of this MD&A document). Results have been positively affected also by the profit made on the sale of Montevideo's headquarter offices and by reduction in corporate overheads as explained in section 4.6.

4.2 Operating revenues

Revenues include gold and silver sales, as well as export related tax refunds as shown in Table 2. Total sales for the quarter were \$ 14,811 compared to \$ 11,659 for the corresponding period of the previous year. The average gold price for the quarter increased to \$ 1,065 per ounce from \$ 796 in the second quarter of previous year. For the six month period ended November 30, 2009, total sales were \$ 27,309 with an average gold price of \$ 990 per ounce compared to \$ 29,380 and \$ 852, respectively for the corresponding period of the previous year.

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On a quarter to quarter basis, the number of ounces sold remained steady: the gold sales increase is due to the higher gold price. On a year-to-date basis, the increase in gold price was not enough to compensate for the decrease in the number of gold ounces sold.

Silver sales have decreased on a quarter-to-quarter and year-to-date basis. The main reason is the lower silver content in the current pits mined. Mine production per pit is provided in section 4.3 of this document.

The export tax refunds were equivalent to a 2% of the FOB value of doré exports, and are therefore directly proportional to the sales amounts. The Uruguayan government cancelled this tax benefit on October 1, 2009. As a result, the benefit has been reduced on a year to date comparison from \$ 596 to \$ 294.

Table 2 - Sales composition Q2

Q2 – 09/10	\$000's	Oz	\$ per oz
Gold	14,564	13,678	1,065
Silver	219	12,735	17
Export refund	28		
Total Sales	14,811		

Q 2 – 08/09	\$000's		
Gold	10,946	13,754	796
Silver	483	43,674	11
Export refund	230		
Total Sales	11,659		

Table 3 - Sales composition YtD

Year to date – 09/10			
Gold	26,592	26,866	990
Silver	423	27,274	16
Export refund	294		
Total Sales	27,309		

Year to date – 08/09			
Gold	27,217	31,936	852
Silver	1,567	110,281	14
Export refund	596		
Total Sales	29,380		

4.3 Production statistics

During the quarter, 2,931 thousand tonnes were mined (Q2 08/09 – 3,029 thousand tonnes), including 2,455 thousand tonnes of waste (Q2 08/09 – 2,611 thousand tonnes) and 476 thousand tonnes of ore (Q2 08/09 – 418 thousand tonnes) with an average grade of 1.08 g/t (Q2 08/09 – 1.46 g/t), to provide a final strip ratio of 5.2 tonnes of waste to one tonne of ore (Q2 08/09 – 6.2).

On a year-to-date basis, an amount of 6,175 thousand tonnes were mined (YTD 08/09 – 6,178 thousand tonnes) including 5,302 thousand tonnes of waste (YTD 08/09 – 5,330 thousand tonnes) and 873 thousand tonnes of ore (YTD 08/09 – 848 thousand tonnes) with an average grade of 1.04 g/t (YTD 08/09 – 1.44 g/t), to provide a final strip ratio of 6.1 tonnes of waste to one tonne of ore (YTD 08/09 – 6.3).

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During the quarter 362,366 tonnes of ore (Q2 08/09 – 303,740) were processed by the plant at an average grade of 1.25 g/t (Q2 08/09 – 1.72 g/t) to produce 13,580 ounces of gold (Q2 08/09 – 15,837 ounces) with a 93.6% recovery (Q2 08/09 – 94.2%). A lower head grade mined and processed resulted in the gold production reduction. Table 4 summarizes quarterly gold production statistics.

During the second quarter, production was below expectation as a result of high precipitation and lower feed grades. In addition, high levels of rainfall prevented the Company from making up this production shortfall with other sources.

Table 4 - Production statistics	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Feb-08	May-08	Aug-08	Nov-08	Feb-09	May-09	Aug-09	Nov-09
Ore processed (tonnes)	313,340	310,370	335,832	303,740	332,704	389,341	384,195	362,366
Grade processed (g/t Au)	2.71	2.25	1.67	1.72	1.96	1.58	1.15	1.25
Recovery (%)	92.2%	92.3%	91.4%	94.2	92.5	92.8	92.9	93.6
Gold produced (ounces)	25,150	20,668	16,439	15,837	19,371	18,500	13,173	13,580

4.4 Operating expenses

Total operating costs were \$ 12,355 for the quarter equivalent to cash cost per ounce of \$ 871, compared to \$ 12,351 and \$ 811 per ounce for the corresponding quarter of the previous year. For the six month period ended November 30, 2009, total operating costs were \$ 24,216 equivalent to cash cost per ounce of \$ 876 compared to \$ 27,154 or cash cost per ounce of \$ 801 for the corresponding period of previous year. Table 5 reconciles operating costs to cash cost per ounce.

Table 5 - Reconciliation of Operating costs to cash cost per ounce

	Q2 09/10 \$000's	Q2 08/09 \$000's	YTD 09/10 \$000's	YTD 08/09 \$000's
Operating expenses	12,355	12,351	24,216	27,154
Movement in non ore inventories	(305)	408	3	(331)
Deferred stripping in depreciation	0	1,062	0	1,417
Other costs	29	(264)	(78)	(216)
Export refund and silver credits.	(248)	(714)	(718)	(2,164)
Total cash costs basis	11,831	12,843	23,423	25,860
Gold production in ounces	13,580	15,837	26,753	32,276
Total cash costs per ounce	871	811	876	801

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

Cash cost increased mainly as a consequence of lower gold production, lower silver by-product credits and the elimination of the export refund. Total operating costs have been reduced on a year-to-date basis reflecting the continuous effort to contain and reduce costs implemented by the Company, and to adapt the cost structure to current

and projected levels of production, including staff retrenchment and the renegotiation of commercial terms with contractors.

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When compared on a year-to-year basis, a strong appreciation of Uruguayan peso against the Company's functional currency, the US dollar, from Uruguayan pesos 24 to almost Uruguayan pesos 19 per each dollar, resulted in higher labour, contractor and electricity costs. To fulfil production goals, a higher number of tonnes have been fed into the plant to offset the head grade decline, requiring higher amounts of plant consumables. Additionally, an extraordinary level of rainfall, over 650 mm fell in October, increased dewatering costs.

4.5 Amortization

Amortization expense was \$ 3,044 for the current quarter compared to \$ 5,971 in the corresponding quarter of the prior year. For the six month period ended November 2009, amortization expense was \$ 5,637 compared to \$ 8,971. 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 - Amortization composition

	Q 2 09/10	Q2 08/09	YTD 09/10	YTD 08/09
	\$000's	\$000's	\$000's	\$000's
Fixed Assets	1,148	1,470	2,430	2,990
Mine properties	1,896	3,172	3,207	4,168
Deferred stripping	0	1,062	0	1,417
Asset retirement obligation	0	267	0	396
Total depreciation	3,044	5,971	5,637	8,971

Depreciation of fixed assets includes the depreciation of heavy equipment and major spare parts, plant facilities, tailings dam facilities and other site infrastructure. Mine properties includes pre-stripping activities realized to access ore bodies and capitalized exploration expenditure incurred to discover and outline pits reserves and resources.

Deferred stripping included under previous year numbers relates to deferred waste removal costs for Arenal pit.

4.6 Other gains and expenses

Other gains and expenses for the quarter resulted in a gain of \$ 55 compared to a loss of \$ 1,117 for the corresponding quarter of last year. For the six month period ended November 2009, a total loss of \$ 619 occurred compared to a total loss of \$ 2,386 for the corresponding period in the previous year. A breakdown of gains and expenses is provided in Table 7.

Table 7 - Other revenues and expenses composition

	Q2 09/10	Q2 08/09	YTD 09/10	YTD 08/09
	\$000's	\$000's	\$000's	\$000's
Corporate overheads	763	840	1,437	1,933
Capital tax	99	55	169	160
Severance provision	0	170	0	170
Stock based compensation	210	249	304	286
Foreign exchange loss (gain)	(6)	(176)	11	(24)
Net interest loss (gain)	76	76	147	24
Assets sales and other gains	(1,197)	(97)	(1,449)	(163)
Total loss (gain)	(55)	1,117	619	2,386

Corporate overheads include corporate administration costs in Canada, Uruguay and Barbados, listing and regulatory expenses, director's fees, executive

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corporate salaries and benefits. Reduction on a quarter and year-to-date basis continues to reflect the cost cutting program that has been in place since the third quarter of the previous financial year.

During the quarter and the six month period ended November 30, 2009, the Company has disposed of several surplus old mobile assets for a total consideration of \$ 264 with an associated book cost of \$ 53. During the quarter the Company also completed the sale of Montevideo's headquarter offices for a total consideration of \$ 2,300 with an associated cost of \$ 1,176. The Company is in the process to move to smaller premises in Montevideo.

4.7 Taxes

During the month of September, the Company filed all its annual income tax returns in the Uruguayan jurisdiction resulting in a net credit for the Company of \$ 215 when compared to the original provisions at May 31, 2009. It was the first financial year filed following the Uruguayan tax reform approved at the end of 2007.

Current stockpile and other production inventories, property, plant and equipment, mine properties and exploration expenditure create future income tax deductions nominated in Uruguayan pesos. The high appreciation of the Uruguayan peso against the US dollar (from Uruguayan pesos 24 to almost Uruguayan pesos 19 per each dollar) during the six month period ended November 30, 2009 has increased the potential future deduction for income taxes measured in US dollars.

Table 8 - Current and deferred income tax

	Q2	Q2	YTD	YTD
	09/10	08/09	09/10	08/09
	\$000's	\$000's	\$000's	\$000's
Loss before taxes	(904)	(7,047)	(3,070)	(9,926)
Current income tax recovery	215	1,110	215	1,110
Future income tax provision	1,365	(1,970)	1,373	(1,945)
Gain (loss) after taxes	676	(7,907)	(1,482)	(10,761)

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5. FINANCIAL POSITION

5.1 Cash and other liquid resources

Table 8 shows main components of cash variation.

Cash flow from operations includes the result from the San Gregorio operation less the cost of general and administrative expenses, interest and income taxes. As shown in table 8, during the quarter cash flow from operations before working capital movements was \$ 1,760 compared to \$82 for the corresponding quarter of the previous year. For the six month period ended November 30, 2009, cash flow from operations before working capital movements was \$ 1,790 compared to \$ 1,813 for last year first semester.

Table 9 - Cash increase (decrease)

	Reference	Q2 09/10	Q2 08/09	YTD 09/10	YTD 08/09
		\$000's	\$000's	\$000's	\$000's
Cash flow from (used) in operations before working capital investment		1,760	84	1,790	1,813
Working capital investment (realization)	5.2	365	(2,038)	2,994	(2,615)
Exploration investment	5.3	(1,694)	(3,327)	(3,374)	(6,408)
Capital expenditure net of assets sales	5.3	811	(584)	(1,485)	(4,457)
Funding	5.4	(9)	(47)	(30)	(495)
Cash increase (decrease)		1,233	(5,912)	(105)	(12,162)
Cash at beginning of the period		8,158	(5,912)	9,496	18,601
Cash at the end of the period		9,391	12,351	9,391	6,439

Despite a higher gold price, resulting from lower production, the Company generated a similar level of cash flow from operations to last year's second quarter.

The Cash balance in the quarter improved by an amount of \$ 2,000 related to the sale of Montevideo's headquarter offices during November.

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5.2 Working capital items

As shown in Table 10, during the quarter and six month period ended November 30, 2009, \$ 365 and \$ 2,994 respectively of working capital was released compared to a working capital investment of \$ 2,038 and \$2,615 respectively for the corresponding periods of the previous year.

Table 10 - Working capital movements

	Q2 09/10	Q2 08/09	YTD 09/10	YTD 08/09
	\$000's	\$000's	\$000's	\$000's
Cash flow from (used) in operations before working capital investment	1,760	84	1,790	1,813
Warehouse inventories	(468)	(1,216)	(51)	(1,891)
Stockpile	25	(37)	1,321	633
Finished and in process inventories	304	(407)	(3)	330
Supplier's net of prepayments	1,375	1,022	3,235	(63)
Severance payments provisioned	0	0	(250)	0
Tax credits and other debt	(871)	(1,400)	(1,258)	(1,624)
Total working capital movements	365	(2,038)	2,994	(2,615)
Cash flow from (used) in operations after working capital investment	2,125	(1,954)	4,784	(802)

During the six month period ended November 30, 2009 quarter, the Company

has reduced the high and medium grade stockpiles by over 90,000 tonnes. Tax credits and other debt include the promissory notes and convertible debenture for Fortune Valley acquisition, as part of the transaction explained in section 3 of this MD&A.

5.3 Capital Expenditure

Capital expenditure on property, plant and equipment for the quarter was \$ 1,489 compared to \$ 584 for the corresponding quarter of the prior year, and \$ 4,049 for the half compared to \$ 4,457 in the corresponding half of the prior financial year. Assets sales for the quarter and half year ended November 30, 2009 were \$ 2,300 (the sale of Montevideo's headquarter offices) and \$ 2,564 respectively.

Exploration expenditure for the quarter was \$ 1,694 compared to \$ 3,327 for the corresponding quarter of the prior year, and \$ 3,374 for the half compared to \$ 6,408 in the corresponding half of the prior financial year reflecting the reduction in the exploration budget. Table 10 summarizes expenditure on exploration by project areas during the first half of the year.

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Table 11 – Exploration expenditure by areas

Project Area	Balance 31 May 2009	Expenditure 08/09	Indirect costs distribution	Transfer to mine properties	Write off	Balance 30 November 2009
Isla Cristalina Belt	2,937	2,741	79	(255)	(151)	5,351
South Uruguay	5,335	240	7	0	(7)	5,575
Lascano	4,165	92	2	0	0	4,259
Diamonds	0	11	0	0	(11)	0
Outside Uruguay	0	121	4	0	(125)	0
Severance payments	0	77	0	0	(77)	0
Indirect overheads	0	92	(92)	0	0	0
Total	12,437	3,374	0	(255)	(371)	15,185

5.4 Funding

During the quarter and half year of the current and prior financial year no employee stock options were exercised. As at November 30, 2009 the Company has 3,531,500 outstanding stock options (May 31, 2009 – 3,172,250) at a weighted average exercise price of CDN\$ 2.33 (May 31, 2009 – 2.98), of which 2,401,667 (May 31, 2009 – 1,818,750) were vested at a weighted average exercise price of CDN\$ 2.81 (May 31, 2009 – 3.57). The decline in the Company's stock price left all employee and Directors options "out of the money".

Except for a short term liability for leasing facilities for \$ 7, the Company is debt free, and no warrants, promissory or convertible notes are outstanding.

5.5 Financial instruments

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

As at November 30, 2009, the company has no derivatives obligations.

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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	3-4 years
Finance Lease	7	7	-	-	-
Asset Retirement Obligations	2,940	544	120	1,159	1,117
Total	2,947	551	120	1,159	1,117

Commitments derived from exploration farm in and farm out and acquisition agreements are disclosed in notes to our annual audited consolidated financial statements. No new commitments have been agreed during the current quarter.

On May 22, 2007 the Company executed with Banco Santander (Uruguay) S.A. a guarantee letter by which a line of credit of \$ 2,500 was granted to the Company to be used for trade facilities, leasing, issuance of guarantees and general purposes. As of August 31 2009, \$ 7 was drawn for vehicle leasing and \$ 1,111 was used for the issuance of guarantees for exploration permits.

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 Uruguayan local branch.

6. QUARTERLY RESULTS

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	Qtr 3 Feb 2008	Qtr 4 May 2008	Qtr 1 Aug 2008	Qtr 2 Nov 2008	Qtr 3 Feb 2009	Qtr 4 May 2009	Qtr 1 Aug 2009	Qtr 2 Feb 2009
Gold sold (ounces)	23,746	22,911	18,182	13,754	20,002	19,353	13,188	13,678
Average sales price (\$/oz)	888	926	895	796	822	841	912	1,065
Cash operating cost (\$/oz)	342	540	792	811	547	702	880	871
Operating revenues	22,220	22,408	17,721	11,659	17,125	16,871	12,498	14,811
Operating expenses	(9,244)	(12,033)	(14,803)	(12,351)	(11,071)	(13,129)	(11,861)	(12,355)
Contribution Margin	12,976	10,375	2,918	(692)	6,054	3,742	637	2,456
Administration expenses	(1,333)	(1,392)	(1,234)	(1,315)	(860)	(745)	(838)	(1,074)
Amortization and depletion	(3,596)	(4,866)	(3,000)	(5,971)	(4,600)	(6,355)	(2,593)	(3,044)
Fair value of derivatives	0	0	(1,528)	733	(901)	1,232	464	0
Exploration write off	0	(11,103)	0	0	(775)	(1,919)	0	(371)
Interest expense and debt accretion	(124)	(50)	(75)	(63)	(80)	(25)	(71)	(76)
Foreign exchange difference	4	184	(152)	176	13	11	(17)	6
Interest earned and other income (expenses)	269	212	192	85	32	68	252	1,199
Income Tax	(2,254)	2,903	25	(860)	19	1,495	8	1,580
Net income (loss) for the period	5,942	(3,737)	(2,854)	(7,907)	(1,098)	(2,496)	(2,158)	676
Basic earnings per share	0.12	(0.08)	(0.06)	(0.16)	(0.02)	(0.05)	(0.08)	0.014
Cash flow from (used in) operations	4,416	9,129	1,152	(1,954)	4,091	3,760	2,659	2,125
Cash from (used for) financing	(316)	(1,152)	(448)	(47)	(46)	(35)	(21)	(9)
Cash invested	(3,899)	(4,318)	(6,954)	(3,911)	(2,433)	(2,280)	(3,976)	(883)
Cash on hand	14,942	18,601	12,351	6,439	8,051	9,496	8,158	9,391
Total Assets	87,164	83,359	79,155	71,655	70,742	63,516	62,665	65,044
Shareholders Equity	70,720	66,960	63,742	56,084	54,936	52,549	50,485	51,371

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.

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 Uruguayan pesos. The Company has financial exposure to foreign exchange fluctuations in the Uruguayan 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, 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 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 Administrators. This

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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 the Company'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 systems 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 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.

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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 November 30, 2009 \$ 2,940 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

Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants ("CICA") issued accounting standard Section 3064 – Goodwill and Intangible Assets which replaces Section 3062 – Goodwill and Other Intangible Assets, Section 3450 – Research and Development and EIC27 – Revenues and Expenditures during the Pre-operating Period. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The adoption of this standard has no impact on the Company's financial statements.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract in 2009 and there was no impact on its financial statements as a result of applying this abstract.

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Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company evaluated the requirements of the new standards and concluded that its adoption will have no impact on its financial statements.

Section 1582, "Business Combinations" replaces section 1581, "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. 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. Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling interests", together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

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 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

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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 Canada's own GAAP, will be effective for interim and annual financial statements of the Company relating to fiscal years beginning on or after June 1, 2012. The transition date of June 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended May 31, 2011.

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During 2010, the Company plans to undertake an IFRS diagnostic study with a view to assessing the impact of 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. Over the course of 2011, the Company will evaluate the alternatives and analyze the impact upon the implementation of IFRS.

The IFRS diagnostic study will also identify key system 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; and maintenance of effective disclosure controls and controls over financial reporting throughout the IFRS transition period.

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.