

Orsu Metals Corporation

Management's Discussion and Analysis of Results
December 31, 2009 and 2008

(Figures in United States Dollars)

Orsu Metals Corporation

MD&A for the year ended December 31, 2009

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STOCK EXCHANGES

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

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The effective date of this MD&A is March 24, 2010.

INTRODUCTION

Orsu Metals Corporation ("Orsu" or the "Company", formerly European Minerals Corporation ("EMC") prior to the acquisition of Lero Gold Corp. ("Lero") on June 19, 2008), is a dual listed (TSX: OSU; AIM: OSU) London-based precious and base metals exploration and development company exploring gold and copper deposits in the Tien Shan gold belt in the Kyrgyz Republic and Rudny Altai belt in the Republic of Kazakhstan. The Company also previously operated the Varvarinskoye gold-copper mine in the Urals belt in northern Kazakhstan ("Varvarinskoye" or the "Varvarinskoye Project") until selling all of its interest and obligations in the Varvarinskoye Project to Open Joint Stock Company Polymetal ("Polymetal") on October 30, 2009. One of the Company's principal exploration assets is its property in northwest Kyrgyzstan, which is comprised of four licence areas within the Tien Shan gold belt of north western Kyrgyzstan: the Taldybulak, Barkol, Korgontash and Kentash licences (the "Talas Project"). Approximately 100km to the south west of the Talas Project lies the Tokhtazan licence area comprising the Akdzhol and Tokhtazan licences (the "Tokhtazan Project"). The Company's other principal exploration project is the property comprising a 47.3km² licence area in eastern Kazakhstan (the "Karchiga Project"), which is part of the Rudny Altai polymetallic belt.

This MD&A contains management's assessment and analysis of the operating results and financial condition of Orsu and should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2009 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\$.

2009 HIGHLIGHTS

- January 2009 – Orsu completed an update of the mineral reserve and mineral resource estimate for Varvarinskoye
- January 2009 – Orsu announced that, on December 29, 2008, the lending syndicate comprised of Investec Bank Limited, Investec Bank (UK) Limited, Nedbank Limited and Natixis Bank (the "Lenders") conditionally approved the extension of the deadline for the Company's principal debt payment of \$16.65 million, which was due on December 31, 2008, to March 31, 2009, which amount was owed to the Lenders by Joint Stock Company Varvarinskoye ("JSCV"), a then wholly owned subsidiary of the Company, pursuant to the terms of the Debt Facility (as defined below).
- February 2009 - all necessary approvals were received from Export Credit Insurance Corporation, South Africa ("ECIC") for the extension of the deadline for the Company's principal debt payment of \$16.65 million to March 31, 2009.
- April 2009 – Orsu announced that it had not yet reached an agreement on the restructuring of the loan repayments and hedging obligations due by JSCV under the Debt Facility and that the discussions were ongoing with the Lenders.
- May 2009 – Orsu provided an update of on-going work at the Talas Project and Tokhtazan Project in Kyrgyzstan and the Karchiga Project in Kazakhstan.
- June 2009 – Orsu entered into a sale and purchase agreement to sell to Polymetal all of its interest and obligations in the Varvarinskoye Project.
- September 2009 – In conjunction with the anticipated sale of the Varvarinskoye Project, Mr Randy Reichert resigned, effective September 4, 2009, from the position of Chief Operating Officer of the Company to pursue other business interests.
- October 2009 – Orsu completed the sale of its 100% owned Varvarinskoye Project and the transfer of all of its related obligations to Polymetal.
- November 2009 – Orsu announced the following changes to the Company's board of directors (the "Board of Directors") and management, effective from November 12, 2009, following the sale of the Varvarinskoye Project, to reflect the Company's focus on its exploration activities:
 - Mr Takhirzhan Baratov resigned as Executive Director of Orsu and was retained as an executive advisor to Orsu for its remaining and potential future exploration projects in the Republic of Kazakhstan;

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- Dr Alexander Yakubchuk (formerly Orsu's Director of Exploration) was appointed as Orsu's Chief Operating Officer.
- November 2009 – Orsu completed a consolidation of the Company's common shares on a ten for one basis effective November 24, 2009, immediately following which the total issued share capital of the Company was 45,696,049 common shares.
- November 2009 - Orsu reached an agreement to settle, subject to court approval, the class action claim which was commenced against EMC in the Ontario Superior Court of Justice in June 2008 (the "Class Action Claim") for CAD\$2.2 million, to be shared equally between Orsu and Orsu's insurer.

POST YEAR END HIGHLIGHTS

- February 2010 – Gold Fields Limited, through its subsidiary Gold Fields Orogen Holding BVI Limited ("Gold Fields"), completed the First Phase of the Talas Joint Venture in the Kyrgyz Republic, pursuant to which Gold Fields earned a 60% interest in the Talas joint venture company, Kami Associates Limited, the Company's subsidiary and the 100% owner of Talas Copper Gold LLC, (the registered owner of the Talas Project) (the "Talas Joint Venture Company") by funding exploration expenditures of CAD\$10 million. Gold Fields subsequently notified the Company that it would not exercise the Second Phase Option to increase its interest in the Talas Joint Venture Company from 60% to 70% through the funding of additional exploration expenditure. As a result, the "Earning Period" under the joint venture agreement dated December 3, 2008, as amended on August 14, 2009, between the Company, Gold Fields, Lero Gold Corporation, Talas Copper Gold LLC and the Talas Joint Venture Company (the "JV Agreement") was concluded and the Company retained a 40% interest in the Talas Joint Venture Company, subject to the terms and conditions of the JV Agreement.
- February 2010 – the Ontario Superior Court of Justice approved the settlement of the Class Action Claim. The settlement became effective on March 22, 2010 following the expiry of a 30-day appeal period with no appeals having been received by the Company. The Company and the other defendants retain the right to terminate the settlement agreement if too many class members opt out during the 60-day opt out period, which will commence no later than April 6, 2010. However, at this time, it is not expected that this right will need to be exercised. Under the terms of the settlement agreement, the Szuszkiewicz action and the Class Action Claim will be dismissed.

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CORE ASSETS

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

- **Talas Project, Kyrgyzstan** – The Taldybulak copper-gold porphyry deposit is the primary exploration area within the Talas Project. One of the Company's material exploration assets is its property in north western Kyrgyzstan, which is comprised of four licence areas within the Tien Shan gold belt including: the Taldybulak, Kentash, Barkol and Korgontash licences. In March 2010, Wardell Armstrong International Ltd ("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 M L Owen and J C Osmond, can be viewed under the Company's profile at SEDAR (www.sedar.com). Further discussion about the Talas Project can be found on page 9 of this MD&A. Information contained in this MD&A regarding the Talas Project has been derived from the above-mentioned technical report.
- **Karchiga Project, Kazakhstan** – The Company's other material property, the Karchiga Copper VMS project, is located in the extreme northeast of the Republic of Kazakhstan, within 40km of the Chinese border and within the Rudny Altai belt which is ranked in the top four Volcanogenic Massive Sulphide ("VMS") belts in the world. In March 2010 WAI completed an independent review and audit of Orsu's updated mineral resource estimate at the Karchiga Project, from which WAI completed its own mineral resource estimate. WAI's complete technical report titled "Updated Report on the Karchiga Property held by Orsu Metals Corporation, Kazakhstan", dated March 22, 2010 and prepared by M L Owen and L S Carroll, can be viewed under the Company's profile at SEDAR (www.sedar.com). Further discussion about the Karchiga Project can be found on page 13 of this MD&A. Information contained in this MD&A regarding the Karchiga Project has been derived from the above-mentioned technical report.
- **Tokhtazan Project, Kyrgyzstan** - The Tokhtazan exploration licence area is located in the Jalal-Abad Oblast, western Kyrgyzstan and is covered by two exploration licences, Akdjol and Tokhtazan. Access to the deposit is via the main Bishkek-Osh bitumen road for 400 km, then 14km on a gravel road. Further discussion about the Tokhtazan licence area can be found on page 12 of this MD&A.

Prior to the sale of the Varvarinskoye Project on October 30, 2009, Orsu's principal asset was the Varvarinskoye Project.

- **Varvarinskoye Project, Kazakhstan** – The Varvarinskoye Project is located in northwest Kazakhstan and commenced production of gold doré in December 2007 and copper-gold concentrate in March 2008. For the ten months to October 30, 2009 (the date of its disposal to Polymetal), the Varvarinskoye Project produced a total of 52,365 troy oz of gold and 5,118 tonnes of copper recovered to concentrate.

Qualified Person

Except for the technical information derived from the technical reports referred to in this MD&A, Mr Matthew Boyes, who is Mineral Resources Manager for Orsu and a "qualified person" (as such term is defined in National Instrument 43-101), has reviewed and approved the technical information in this MD&A. Mr Boyes has verified the data disclosed in this MD&A in respect of exploration results, including sampling and analytical data underlying the information.

EXECUTIVE CHAIRMAN'S STATEMENT

The Board's key focus during 2009 has been to resolve certain key issues inherited from the previous management and to renew the Company's focus on its existing and potential new projects, in the face of difficult economic conditions and the significant losses and cash depletion suffered during the previous year, largely related to the Varvarinskoye Project. Key elements of this strategy have been the disposal of the Varvarinskoye Project and all indebtedness related thereto, settlement of the Class Action Claim, aggressively continuing the exploration and development of our other copper and gold projects in Kyrgyzstan and Kazakhstan, pursuing new opportunities and acquisitions in the countries of the Former Soviet Union ("FSU"), reducing the Company's corporate overhead costs and addressing the Company's future funding requirements.

For the year ended December 31, 2009 the Company's net loss for continuing operations was \$10.6 million and its cash flows for continuing operations were (negative) \$2.8 million.

During the first half of 2009 a number of factors led to the Company investigating the possibility of disposing of the Varvarinskoye Project. The key factors were the length of time that discussions with the Lenders had continued without progress, the lack of refinancing alternatives generally available to the Company, the Company's continuing defaults under the Varvarinskoye Project debt and hedging obligations and the desire to maximise shareholder value in the face of less favourable alternative scenarios. As a result, the Company entered into a sale and purchase agreement dated June 13, 2009 with Polymetal, a Russian-based mining company, pursuant to which the Company agreed, subject to certain conditions, to sell to Polymetal 100% of the shares in Three K. Three K owns (directly and indirectly) JSCV which owns and operates the Varvarinskoye Project. The sale was completed on October 30, 2009 and Polymetal thereafter acquired 100% of the issued and outstanding share capital of Three K from the Company in exchange for an initial cash consideration of \$8 million on closing and deferred consideration of up to \$12 million (contingent on the hedging program entered into by the purchaser, future gold and copper metal price levels and the future cash flows of JSCV). As a result of the sale of the Varvarinskoye Project, the Company and its remaining subsidiaries no longer have any outstanding long-term debt or hedging obligations.

The Board and management underwent certain changes to reflect Orsu's focus on its exploration portfolio and its pursuit of new opportunities and assets in countries of the FSU. Effective September 4, 2009 Mr Randy Reichert resigned as the Company's Chief Operating Officer. Effective November 12, 2009, Mr Takhirzhan Baratov resigned as Executive Director of Orsu and Dr Alexander Yakubchuk, formerly Orsu's Director of Exploration, was appointed as Orsu's new Chief Operating Officer and remains on the Board.

A further key step in restructuring the Company was the consolidation of the Company's common shares on a ten for one basis, effective 24 November 2009, resulting in a post-consolidated total issued (undiluted) share capital of the Company of 45,696,049 common shares.

The Company reached an agreement to settle the Class Action Claim for CAD\$2.2 million, which was approved by the Ontario Superior Court of Justice in February 2010, and which has been shared equally between Orsu and Orsu's insurer. In entering into the agreement, neither the Company nor any of the other defendants made any admission of liability, wrongdoing or fault in relation to the claim. However, based upon legal advice, the Company's directors believed it prudent and in the long term interests of shareholders to settle the Class Action Claim at the lowest possible negotiated cost rather than pursue a lengthy and more costly litigation process. The Company's directors believe that this settlement resolves the dispute relating to the Class Action Claim which was inherited from the Company's previous management and which the Company's directors believe threatened to divert the Company's funds and focus away from its future corporate goals. The amount payable under the settlement agreement is significantly less than the original amounts claimed of general and special damages in the amount of CAD\$50,000,000 and punitive damages in the amount of CAD\$5,000,000.

An important development has been the completion by Gold Fields of the First Phase of the Talas Joint Venture in the Kyrgyz Republic. Gold Fields exercised its First Phase earn-in option after satisfying the First Phase option premium by funding exploration expenditures of CAD\$10 million and in so doing earned a 60% interest in the joint venture company which is the indirect owner of the Taldybulak, Barkol, Kentash and Korgontash properties in the Talas region of the Kyrgyz Republic. Gold Fields is the current project operator of exploration activities pursuant to the joint venture agreement between the Company and Gold Fields dated 3 December 2008.

Whilst Gold Fields has notified the Company that it will not exercise the Second Phase Option to increase its interest from 60% to 70% in the Talas joint venture, Gold Fields remains the operator of the Talas Project and has advised the Company that it is committed to providing on a pro-rata basis the further exploration expenditures required to continue exploration activities or to complete a feasibility study and through to project development pursuant to approved programmes and budgets.

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In order to reduce the Company's corporate overhead cost base, in October 2009 the Company reduced its non-operational headcount by approximately 60% in its London office and 90% in its overseas representative office and also reduced the salaries of several of its remaining employees.

I would like to thank Orsu's staff, management, consultants and advisors for their hard work, dedication and drive during this difficult year, but I and the Board are confident that the Company is now better positioned to restore investor confidence and raise new funding to exploit its existing and new potential projects.

Dr Sergey V Kurzin
Executive Chairman
March 24, 2010

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

The Company is exploring several advanced stage gold and copper deposits in the Tien Shan metallogenic belt in Kyrgyzstan and the Rudny Altai metallogenic belt in Kazakhstan. The Tien Shan gold belt is host to some of the world's largest copper-gold porphyries. These exploration projects are held by Orsu through its wholly-owned subsidiary, Lero Gold Corporation.

TALAS EXPLORATION LICENCES, KYRGYZSTAN

The Talas exploration area is the Company's material property in Kyrgyzstan, and includes the Taldybulak, Kentash, Barkol and Korgontash licences.

Table 1

Licence No	Name of Licence	Licence Holder	Area (km ²)	Date Granted	Expiry Date	Extension Granted until
АП-1005	Barkol	Talas Cu-Au LLC	223	16/03/2007	31/12/2010	
AP-24	Taldybulak	Talas Cu-Au LLC	42	14/06/2005	31/12/2010	
АП-23	Kentash	Talas Cu-Au LLC	46	14/06/2005	31/12/2009	31/12/2012
АП-61	Korgontash	Talas Cu-Au LLC	66	02/09/2005	31/12/2009	31/12/2012

For avoidance of doubt;

1. The Taldybulak copper-gold porphyry prospect within the Taldybulak exploration licence area is a separate asset from the Taldybulak Levoberezhny gold deposit previously owned by Central Asia Gold Limited, and
2. The Talas Copper Gold Limited Liability Company, holder of the Taldybulak licence, is a separate company from Talas Gold Mining Company, which was the owner of the Jerooy Gold Project.

Licence Locations

The Talas exploration area is located in the Western Kyrgyz Range on the north slope of the Talas Valley, in the Talas Oblast, north western Kyrgyzstan at elevations of 1,800-3,000m. The region includes deposits such as Andash, Aktash, Jerooy, Taldybulak Levoberezhny and Centerra's world class Kumtor deposit. The Talas project is accessible year round via the Bishkek-Talas road (270km from Bishkek). A rail head is located 140km by road from the deposit and several 10 to 500kV power grid lines pass within 10km of the deposit.

The Taldybulak prospect is the main focus of exploration activity within the Taldybulak licence that covers an area of 42km². The Kentash licence is situated immediately east of Taldybulak and covers an area of 46km². The Korgontash licence which covers an area of 66km² is located approximately 25km east of Taldybulak. The Barkol licence is the westernmost licence, located immediately west of Taldybulak and covers an area of 223km².

Gold Fields Exploration Partnership

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. Gold Fields and Orsu will otherwise contribute to the project requirements on a pro-rata basis through to project development.

In February 2010, Gold Fields earned a 60% interest in the Talas Joint Venture Company, which is the 100% owner of Talas Copper Gold LLC ("TCG") (the registered owner of the Taldybulak, Barkol, Kentash and Korgontash properties in the Talas region of the Kyrgyz Republic).

Gold Fields has advised the Company that it intends to continue developing the Talas Project in accordance with the JV Agreement. Under the terms of the JV Agreement, both parties 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 approved programmes and budgets to be set 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.

Prior to signing the JV Agreement (and prior to the Company's acquisition of Lero), Gold Fields participated in three private placement financings with Lero, contributing a total of CAD\$7,733,420 to Lero. Gold Fields currently holds a total of 1,134,920 common shares of Orsu, or 2.5% of the total issued common shares of Orsu.

EXPLORATION LICENCES WITHIN THE TALAS EXPLORATION AREA

TALDYBULAK, KYRGYZSTAN

Project History

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

The Taldybulak copper-gold porphyry is currently the Company's most advanced project.

2010 Mineral Resource Estimates

WAI was contracted by Orsu in early 2010 to review and audit an updated mineral resource estimate in relation to the Talas Project, from which WAI completed its own mineral resource estimate. A National Instrument 43-101 mineral resource estimate for the Taldybulak-Talas licence area of the Talas Project was reported during March 2010 (Table 2) in the report titled "Updated Technical Report on the Taldybulak property held by Orsu Metals Corporation, Kyrgyzstan", dated March 22, 2010 and prepared by J C Osmond and M L Owen, a copy of which has been filed and is available under the Company's profile on SEDAR at www.sedar.com. The Indicated Resources reported at 0.3 g/t Au Cut-off are **141Mt @ 0.66 g/t Au, 0.17% Cu and 0.01% Mo** and Inferred Resources reported at 0.3g/t Au Cut-off are **153Mt @ 0.66 g/t Au, 0.15% Cu and 0.012% Mo**

Table 2: Taldybulak-Talas Project, Mineral Resource estimate (WAI) March 22, 2010

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

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

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

The audit, review and classification of the updated Indicated and Inferred mineral resource estimates were carried out under the supervision J C Osmond, BSc, MSc (MCSM), ProfGradIMMM, CGeol, FGS, EurGeol, Principal Geologist with WAI and M L Owen, BSc,MSc, MCSM, CGeol, EurGeol, FGS, Technical Director of WAI, each a qualified person as such term is defined in National Instrument 43-101. J C Osmond and M L Owen have reviewed the contents of this MD&A and are responsible for the preparation of the report titled "Updated Technical Report on the Taldybulak property held by Orsu Metals Corporation, Kyrgyzstan" dated March 22, 2010. J C Osmond and M L Owen are employees of WAI.

Gold and copper estimates are based upon an ordinary kriged 20m east by 20m north by 10m elevation block model which has been constrained by geological and grade threshold wireframes created in section from interpretation of all available drillhole and channel sampling data. A total of 36,988m of diamond drilling, 1,326m of reverse circulation drilling and 12,615m of surface trenching data was used when constructing geological and grade boundaries, subsequently the surface trenching and reverse circulation drilling results were not utilised for the grade interpolation process. WAI verified the location of all drill holes with respect to wireframe models and

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surface topography. The drill hole data was audited with checks carried out for duplicate results, errors in sample position downhole, hole surveys and collar positions with respect to topography. Variography and geostatistical modelling was completed to quantify the spatial variability for copper and gold within the mineralised area.

The results of this latest resource estimation represent an increase to the previously reported mineral resource estimate from May 2008, at 0.30g/t Au cut-off, in terms of contained gold ounces for the Indicated category of 1.38 Moz or an 86% increase, and in terms of contained copper the increase was 226Mlb or 57%.

The Company has filed on SEDAR (www.sedar.com) a new National Instrument 43-101 technical report on the Talas project which includes the updated mineral resource estimates referred to in this MD&A. This report, which was prepared by WAI, is entitled "Updated Technical Report on the Taldybulak Property held by Orsu Metals Corporation, Kyrgyzstan" and dated March 22, 2010

Exploration Activities in 2008 and 2009

Orsu and Gold Fields recommenced exploration activities in May 2008. A 2008/2009 drilling programme was completed to better delineate the extent and geometry at Taldybulak Central and assess the additional tonnage potential through the testing of peripheral targets along strike to the east, north west and south of the central high grade core. An overall exploration expenditure for the Talas Project since the inception of the joint venture until February 2010 was CAD\$10 million, all of which was contributed by Gold Fields.

2008 saw Orsu finalise local drilling contracts which enabled, as of 6 April 2009, for the completion of approximately 10,890m drilling, representing 64% of the planned 17,000m.

In 2008-2009, the Talas Joint Venture Company drilled the Taldybulak Cu-Au porphyry deposit with 80x80 m drill spacing. Scout drilling was performed in the adjacent licences to test exploration targets. In total, TCG contractors have drilled a total of 23,000m on all licenses since May 2008. All field exploration works were suspended in November 2009.

During 2010 testwork will be carried out specifically aimed at recovering a higher percentage of gold from the oxide and sulphide rock types and increasing the final grade of the shipping concentrate.

BARKOL, KYRGYZSTAN

Licence Information

In March 2007, the 223km² Barkol exploration licence was granted to the Company. 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). Orsu has undertaken an estimated annual expenditure commitment on the Barkol licence of \$200,000.

2008 / 2009 Drilling Programme

The Company undertook some limited drill testing and further geophysical investigations on the licence area. Significant thicknesses of post-mineral Devonian volcanics overly the north eastern part of the license. 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, KYRGYZSTAN

Licence Information

The 66km² Korgontash licence area hosts the Tokhtonnisai copper-gold skarn prospect, Talas Oblast, north-west Kyrgyzstan. The Korgontash licence is located in the easternmost part of the copper-gold metallogenic trend on the southern slope of the Kyrgyz ridge. In the central part of the licence is the 2km² exclusion zone covered by Aktash licence, controlled by Turan Metals Ltd, a Kyrgyz-Kazakh joint-venture company.

In 2009, TCG drilled one hole at the Tokhtonnisai prospect to test the extent of Cu-Au mineralization to depth. Results are pending.

KENTASH, KYRGYZSTAN

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 were covered by the ground gravity survey.

TOKHTAZAN GROUP OF LICENCES, KYRGYZSTAN**Licence Information**

The Tokhtazan exploration licence area contains the Akdjol (108km²) and Tokhtazan (4km²) licences, both of which are held by Oriel in Kyrgyzstan LLC ("Oriel"), the Company's indirect subsidiary. The licences and related agreements and land rights expired on December 31, 2009 and were extended for 2 months until February 20, 2010 to allow the Company to prepare a progress report. During 2009, Oriel had fulfilled its financial obligations but had not fully completed its work commitments under the licences, which is a violation of Kyrgyz laws and could impact Oriel's ability to receive a further extension of the licences and related agreements and land rights. On February 19, 2010, Orsu filed progress reports with the Ministry of Natural Resources of the Kyrgyz Republic with respect to exploration works at both of the Tokhtazan and Akdjol licences. The Company expects a decision on the extension of the licences and related agreements and land rights to be made by the end of March 2010.

2008 / 2009 Exploration Works

Within the 2008/2009 exploration programme, works undertaken within the Tokhtazan licence included 1,540m³ of trenching and road cutting, with 640 samples being collected. In addition, a 642.5m reverse circulation ("RC") and diamond drilling programme was completed.

Table 3 shows assay results from core and RC drilling which confirm the presence of the previously interpreted mineralised structure at Tokhtazan.

Table 3: Significant Mineral Intersections from Drilling Works within the Tokhtazan Licence

ID	Type	From (m)	To (m)	Length (m)	Au g/t
TDD08-01	Diamond Drill hole	6	22	16	1.01
TDD08-01B	Diamond Drill hole	0	23	23	1.36
TDD08-07	Diamond Drill hole	76	80	4	0.63
TDD08-07	Diamond Drill hole	130.2	134.2	4	2.21
TTR08-07	RC Drill hole	67	99	32	1.89
TTR08-07	RC Drill hole	112	125	13	0.94
TTR08-08	RC Drill hole	2	3	1	1.00
TTR08-08	RC Drill hole	57	80	23	2.04
TTR08-08	RC Drill hole	84	85	1	1.85
TTR08-08	RC Drill hole	94	95	1	0.52
TTR08-08	RC Drill hole	119	125	6	1.02

Note: Estimated true widths vary from 70-75% of drilled width.

Trenching within the Bulderek area of the Akdjol licence, located 3.5 km south-southwest from the Tokhtazan licence, was accompanied by geophysical exploration, including:

- 12.8 km of Dipole-Dipole Induced Polarisation ("DD-IP") survey;
- 41.45 km of magnetic survey;
- 43.3 km of gamma-ray spectrometry.

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Table 4 shows assay results received in 2009 for the 2008 channel sampling.

Table 4: Significant Mineral Intersections from 2008 Trenching Works at the Bulderek Prospect, Akdjol License

Trench ID	From (m)	To (m)	Thickness (m)	Au g/t	Cu %
TR 08-06	2.0	9.0	7	1.63	0.47
	22.0	28.0	6	-	0.40
TR 08-07	50.0	58.0	8	0.78	0.2
	82.0	133.0	51	-	0.41
TR 08-08	36.0	38.0	2	1.86	0.28
	43.0	46.0	3	-	0.58
	69.0	84.0	15	0.95	0.31
	95.0	99.0	4	4.39	0.18
	106.0	119.0	13.0	-	0.55
TR 08-10	7.0	23.0	16	0.78	0.24
	2.0	23.0	21	-	0.26
TR 08-11	11.0	22.0	11	-	0.50
	46.0	50.0	4	-	0.42
	63.0	64.0	1	3.47	1.2
TR 08-12	16.0	20.0	4	0.51	0.37
	37.0	53.0	16	-	0.78
TR 08-13	9.0	14.0	5	-	0.37
	61.0	65.0	4	-	0.61
TR 08-14	1.0	37.0	36	0.18	0.19
	59.0	63.0	4	0.23	5.2
	88.0	95.0	7	-	0.40
TR 08-15	2.0	20.0	18	0.61	0.40
	27.0	33.0	6	-	1.15
TR 08-23	2.0	6.0	4.0	-	0.26
	9.0	19.0	10.0	-	0.27
	32.0	34.0	2	0.46	0.36
TR 08-24	3.0	4.0	1.0	1.28	0.17
	7.0	8.0	1	1.01	0.22
	15.0	17.0	2	1.58	0.21
	26.0	27.0	1	4.69	0.21
TR 08-27	1.0	5.0	4	1.22	0.46
	6.0	12.0	6	-	0.27
	23.0	52.0	29	3.02	0.53

Based on current geological observations, the trenched sample widths are considered to be representative of the true width of the outcropping mineralisation, although the true thickness of the mineralisation down dip is yet to be confirmed. The 2009 field investigations revealed a lens-shaped nature of this mineralization. This fact, in combination with steep topography, led to Company's decision not to proceed with drill testing of the Bulderek prospect.

KARCHIGA, KAZAKHSTAN

Licence Information

The Karchiga copper VMS is located in the extreme east of the Republic of Kazakhstan, within 40km of the Chinese border. The deposit 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), Zyryanovsk, and Maleevskoye deposits. The Rudny Altai is ranked in the top four VMS belts of the world.

The Karchiga deposit was originally exploited by ancient artisans and was re-discovered and 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 ore body.

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The Company's interest (through its indirect subsidiary GRK MLD LLP ("GRK")) in the Karchiga Project is governed by an exploration and production contract (the "Karchiga Project Contract") granted to GRK by the former Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (the "Former MEMR") until February 28, 2022. Pursuant to the Karchiga Project Contract, GRK was granted the right to explore and produce copper within the boundary of the contract area.

The original exploration period under the Karchiga Project Contract was for a period of three years until February 2010 (the "Exploration Period"). However, the Karchiga Project Contract provides that the Exploration Period may be further extended for two additional two year periods if GRK can prove that extra time is required to fully evaluate the mineral prospectivity before mining can commence.

On September 23, 2008, GRK made an application to the Former MEMR to: (i) approve an increase to the work program under the Karchiga Project Contract; and (ii) delay the obligation to return the contract area until the expiration of the Exploration Period (the "First Application"). On November 25, 2008, the Former MEMR approved the First Application (including the delay of the obligation to return the contract area until September 28, 2010) and ordered that the Karchiga Project Contract be amended accordingly (the "First Amendments") and registered with the Former MEMR before February 20, 2009 in order to give effect to the First Application.

On November 26, 2009, prior to the expiration of the Exploration Period, GRK made a further application to the Former MEMR to approve an extension of the Exploration Period for two years until February 28, 2012 (the "Second Application"). In February 2010, GRK was notified by the Former MEMR that the Second Application had been approved, that an extension of the Exploration Period had been granted until February 28, 2012 and that the execution and registration of such amendment (the "Second Amendment", and the Second Amendment together with the First Amendments, the "Karchiga Amendments") was to occur before May 29, 2010.

As of the date hereof, the Karchiga Amendments have not been executed or registered with the Former MEMR (or its successor, the Competent Authority (as defined below)). The Company is currently negotiating the execution of the amended Karchiga Project Contract with the Competent Authority. 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 Company's failure to register an executed amended Karchiga Project Contract with the Former MEMR or Competent Authority.

Anticipated expenditure obligations of GRK on the Karchiga Project are outlined below:

Table 5: Anticipated Karchiga Project Contract Expenditure Obligations

Year	\$Expenditure
2007	700,000
2008	800,000
2009	1,000,000
2010 ⁽¹⁾	425,000
2011 ⁽¹⁾	425,000

⁽¹⁾ The payment during 2010 and 2011 of an aggregate of \$850,000 is a condition to the Second Amendment, which has not yet been executed or registered with the Competent Authority.

In addition, under the Karchiga Project Contract, GRK is required to submit a year-end report on an annual basis outlining the works completed and expenditure made during the year. Before exploration work can commence for the following year, a work program is required to be submitted and approved by the Competent Authority. As a result of the delay in the registration of the First Amendments, GRK has not obtained from the Former MEMR the formal annual approval required for its work program for 2009. In addition, GRK has yet to obtain formal approval for its work program for 2010. 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 Company's failure to obtain formally approved work programs for 2009 and 2010.

2010 Mineral Resource Estimates

WAI was contracted by Orsu in early 2010 to review and audit Orsu's updated mineral resource estimate in relation to the Karchiga Project, from which WAI completed its own mineral resource estimate. A National Instrument 43-101 mineral resource estimate for Karchiga was reported during March 2010 (Table 6) in the report titled "Updated Report on the Karchiga Property held by Orsu Metals Corporation, Kazakhstan", dated March 22, 2010 and prepared by M L Owen and L S Carroll, a copy of which has been filed and is available under the Company's profile on SEDAR at www.sedar.com. At a 0.50% copper cut-off, the Indicated Sulphide mineral resource is 7.56Mt @ 2.02% Cu, at a 0.50% copper cut-off, the Indicated Oxide mineral Resource is 0.93Mt @ 1.39% Cu and at a 0.50% copper cut-off, the Inferred mineral resources total 1.79Mt @ 1.62% Cu. The "qualified persons" (as such term is defined in National Instrument 43-101) responsible for these updated mineral resource estimates are Mr. M L Owen and L S Carroll (who are both employees of WAI).

Table 6: Karchiga Project, Mineral Resource Estimates March 22, 2010

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

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 grade for this deposit; although, economic and mining studies are required to determine the actual cut-off grade. Mineral resources are reported without mining constraints other than the cut-off grade, no pit shell, mine design, or minimum mining width has been used to restrict the reported mineral resources*

The resource estimates use all data available at the end December 2009. Indicated and inferred resources were categorized based upon a block model utilising 5m by 10m by 5m blocks respectively. Grades were estimated utilising the Inverse Distance cubed algorithm with interpolation parameters based upon the results of Geostatistical modelling completed for the relevant oxide and sulphide data sets. WAI carried out database verification and a review of the orebody modelling and domaining for each individual mineralised zone. WAI was provided with solid models (wireframes), surface topography, drillhole databases including Lithology, assay and density data, location plans and all internal and external quality control data collected since the commencement of the project.

The estimation was completed using 2m downhole composite drillhole samples selected within a hard boundary Cu grade wireframe. All wireframe models were constructed from sectional interpretation of geological and grade boundaries with each of the 12 individual wireframe models utilised to domain the blocks within the grade estimation model. Material types and samples data were subsequently extracted and subset within these discrete domains and grade interpolation was constrained to each individual domain separately. Specific gravity measurements were carried out for the different material types collected from Karchiga diamond drill core and an in-situ bulk density value assigned to the block model based upon observed grade to bulk density relationship.

2008 and 2009 Work Programme

Drilling works during 2008 were focused on the Central and North East lodes of Karchiga. The primary scope of the 2008 programme is designed to upgrade the previously reported mineral resource estimate at the Karchiga project to Measured and Indicated categories under National Instrument 43-101.

The total drilling programme consisted of 10,559m, of which 9,804m was drilled at Karchiga's Central and North East lodes, with an additional 1,349m to test new exploration targets. The new drilling works demonstrated that the total strike length of the North East lode is continuous for 1,115m, which was only partly included into the May 2008 mineral resource model.

In 2008, preliminary metallurgical testwork on Karchiga sulphide ores was completed by the VNIITsvetMet Institute in Ust-Kamenogorsk, Kazakhstan with positive results suggesting that a 15.9% Cu concentrate can be produced from the Karchiga ores at 98% recovery. The Company is of the opinion that the testwork methodology requires optimisation of the concentrate grade versus the recovery as too much emphasis was placed upon achieving a high recovery which was detrimental to the final concentrate grade produced.

In 2009, three more 400kg metallurgical samples were collected from existing diamond core samples and submitted for additional testwork. The 2009 programme also included an optimization study to test variability of the oxidized, primary disseminated and massive ore types throughout the deposit. Metallurgical testwork was completed by the VNIITsvetMet Institute in Ust-Kamenogorsk and demonstrated that 20-25% Cu concentrates from Karchiga ores can be produced through the use of standard flotation technology, the overall recovery was estimated at 89% Cu.

In December 2009, GRK submitted a resource calculation study to the Kazakh authorities. This work consists of initial study outlining various options for potentially economic cutoff copper grades to be followed by the actual

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resource calculation study on the basis of approved cutoff grade. The work and approvals are expected to be completed during Q2 2010.

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RESULTS OF OPERATIONS (SELECTED ANNUAL INFORMATION)

(Prepared in accordance with Canadian GAAP)

FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

Expressed in US\$000s except where indicated	2009	2008 (note 1)	2007
Loss from continuing operations	(10,612)	(104,434)	(5,867)
Loss from discontinued operations	(51,160)	(218,178)	(71,723)
Net gain on disposal of discontinued operations	160,812	-	-
Net income/ (loss) and comprehensive income/ (loss) for the year	99,040	(322,612)	(77,590)
Sales revenues (included within the results of discontinued operations)	71,790	42,619	-
(Loss)/ income per common share (note 2)			
(Loss) per common share from continuing operations	\$(0.23)	\$(2.71)	\$(0.21)
Net income/ (loss) per common share	\$2.17	\$(8.36)	\$(2.75)
Weighted average number of common shares – basic and diluted (in thousands)	45,696	38,598	28,173
Total assets	34,165	106,657	271,167
Total long-term debt related to discontinued operations	-	53,751	50,120
Shareholders' equity/ (deficit)	24,833	(108,762)	48,193

Note 1: The financial information for 2008 was restated in connection with the reclassification of the Varvarinskoye Project as a discontinued operation in June 2009.

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

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RESULTS OF OPERATIONS (SELECTED QUARTERLY INFORMATION)

(Prepared in accordance with Canadian GAAP)

SUMMARY OF THE QUARTERLY RESULTS FOR 2009

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

SUMMARY OF THE QUARTERLY RESULTS FOR 2008

Expressed in \$000s except where indicated	December 31 2008 (unaudited)	September 30 2008 (unaudited)	June 30 2008 (unaudited)	March 31 2008 (unaudited)
Loss from continuing operations	(88,681)	(5,753)	(5,986)	(4,014)
(Loss)/ profit from discontinued operations	(174,911)	1,720	(10,937)	(34,050)
Net loss and comprehensive loss for the period	(263,592)	(4,033)	(16,923)	(38,064)
Sales revenues (included within results of discontinued operations)	11,622	15,512	13,225	2,260
(Loss)/ income per common share (note 1)				
Loss per common share from continuing operations	\$(2.30)	\$(0.19)	\$(0.19)	\$(0.13)
Loss per common share	\$(6.83)	\$(0.13)	\$(0.54)	\$(1.25)
Weighted average number of common shares – basic and diluted (in thousands)	38,598	31,015	31,383	30,333

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

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FINANCIAL REVIEW

The Company continued with the mining and processing of ores and the production of gold doré and copper concentrate at Varvarinskoye, until the disposal of the Varvarinskoye Project on October 30, 2009 (further information relating to the sale can be found below under the heading "Discontinued Operations"). During the year ended December 31, 2009 the Company also continued with the development of its Kyrgyzstan and Kazakhstan-based exploration projects.

FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

For the year ended December 31, 2009 the Company recorded a profit of \$99 million, compared with a loss of \$322.6 million for the year ended December 31, 2008 and a loss of \$77.6 million for the year ended December 31, 2007.

All of the Company's sales revenues and associated cost of sales relate to discontinued operations.

For continuing operations, the loss for 2009 of \$10.6 million is significantly lower than the loss for 2008 of \$104.4 million, mainly due to a \$119.5 million impairment write down of mineral properties in 2008. Excluding such write downs in 2008, the profit for 2008 was \$15.1 million.

Exploration costs for 2009 were broadly in line with 2008, as were net interest expenses. However, general and administrative costs for 2008 were \$8 million greater than for 2009, mainly due to: 2008 staff termination costs of \$3.9 million, relating primarily to changes in senior management in connection with the Company's acquisition of Lero and lower legal and professional fees incurred during 2009. Stock based compensation costs were \$3.1 million in 2008 compared with \$2 million in 2009, due to the lower net vesting charge from 21 million stock options lapsing as a result of employees leaving the Company during 2009 following the sale of the Varvarinskoye Project and no new options being granted during 2009 (16.1 million granted during 2008). The net \$35.1 million future income tax credit in 2008 (2009, \$nil) arose from the 2008 impairment of the Lero mineral properties acquired by the Company.

The Class Action Claim settlement payment was made in November 2009 at a cost of \$1.0 million (CAD\$ 1.1 million), pending court approval of the settlement agreement, which was subsequently received in February 2010.

For continuing operations, the loss for 2007 of \$5.9 million is significantly lower than the losses for both 2009 and 2008, as the Company's administrative overhead costs were significantly lower during 2007 (pre the Lero acquisition). Also there were no significant staff termination costs during 2007 and legal and professional fees were also lower during 2007 (2008 included professional fees relating to the Lero acquisition; 2009 included professional fees relating to the Class Action Claim settlement). The majority of the Company's expenses during 2007 related to the construction of the Varvarinskoye Project and were capitalised accordingly.

In respect of the Company's cashflows, the decrease in cash and cash equivalents for continuing operations for the year ended December 31, 2009 was \$2.8 million, compared with a decrease of \$17.5 million during 2008. The 2009 decrease in cash and cash equivalents was driven by the Company's general and administrative costs, offset in part by a \$2.1 million reimbursement of London corporate overheads costs incurred on behalf of the Varvarinskoye Project, legal and professional costs as referred to above, the Class Action Claim settlement payment as referred to above and the Company's ongoing funding of its exploration projects. The 2008 decrease in the Company's cash and cash equivalents was greater than for 2009, mainly due to \$33.4 million of cash outflows for the investing activities of the discontinued operations (mainly capital equipment purchases during its ramp-up phase), \$23.9 million of operational cash outflows attributable to the discontinuing activities, higher legal and professional fees as referred to above and staff termination costs of \$3.9 million, relating primarily to changes in senior management in connection with the Company's acquisition of Lero, as referred to above.

For discontinued operations, the 2008 loss of \$218 million included an impairment charge for the Varvarinskoye assets of \$179.4 million (restated). Excluding such write downs the underlying loss for 2008 was \$38.8 million, compared with a loss for 2009 of \$51.2 million. This increase in the year-on-year loss was mainly due to: derivative (gold forward sales contracts) losses in 2009 of \$54.8 million, compared with a gain in 2008 of \$3.1 million, the variance being due to an increase in year-on-year gold prices; and a future income tax credit in 2008 of \$6.7 million (restated), reflecting the impairment write down of the Varvarinskoye assets in the fourth quarter of 2008. Gross operating profit from the Varvarinskoye project were \$18.1 million in 2009, compared with a gross operating loss in 2008 of \$28.1 million, due to higher net realized metal prices in 2009, lower mining costs per tonne (of ore and waste) in 2009 and lower processing costs per tonne in 2009.

FOR THE QUARTERLY RESULTS FOR 2009 AND 2008

For continuing operations, the quarterly losses for 2009 have been generally lower than for 2008, due in large part to lower staff numbers and staff costs during 2009. During the fourth quarter of 2009 there was a reduction in the Company's non-operational headcount by approximately 60% in the London office and 90% in its overseas representative office as well as a reduction in the salaries of senior management. Staff costs during the second quarter of 2008 were adversely affected by staff termination costs of \$3.9 million, relating primarily to changes in senior management in connection with the Company's acquisition of Lero.

Other general and administrative costs were also generally lower each quarter during 2009, compared with 2008. General and administrative costs during the fourth quarter of 2009 were particularly lower than the previous quarter due to a retrospective credit to earnings of \$1 million relating to prior quarter reimbursements from Gold Fields for Talas Project administration costs previously expensed by Orsu. Legal and professional fees were also lower during the fourth quarter, following completion of the refinancing negotiations with the Lenders and the completion of the sale of the Varvarinskoye Project.

Stock based compensation costs were also lower on a quarterly basis during 2009, compared with 2008.

The large 2008 fourth quarter loss reflects the Lero mineral property impairment write down of \$119.6 million and high legal and professional fees relating to the then ongoing refinancing negotiations with the Lenders.

For discontinued operations the quarterly fluctuations in results largely reflect the quarterly movements in derivative losses and gains and the quarterly fluctuations in operating profits from the Varvarinskoye Project. In respect of the quarterly fluctuations in operating profits from the Varvarinskoye mine operations, these were adversely impacted during the second half of 2008 by rapidly declining gold and copper metal prices and revenues and by temporary delays in shipping copper concentrate during quarter four of 2008, pending the renegotiation of the concentrate off-take contract. Shipments and revenues of copper concentrate recommenced in the second quarter of 2009 and gold and copper metal prices received from sales also improved during 2009, with a resulting improvement in revenues and profits.

The first quarter of 2008 was impacted by the low levels of production and sales of copper concentrate. The fourth quarter results of 2008 were impacted by the impairment charge for the Varvarinskoye assets of \$179.4 million (restated).

DISCONTINUED OPERATIONS

The Company has, in accordance with Canadian GAAP CICA 3475, accounted for the financial results associated with the Varvarinskoye Project for the ten month period up to the date of disposal on October 30, 2009 as discontinued operations in the Company's financial statements. The Company has also reclassified prior year results to segregate the results of discontinued operations.

IMPACT OF THE DISPOSAL OF THE VARVARINSKOYE PROJECT ON CONTINUING 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 includes 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 cashflows 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;
- The Company and its remaining subsidiaries no longer have any outstanding long-term debt or hedging liabilities and obligations; and
- The Company's operations no longer include commercial production and the Company has focused its resources on its exploration properties and projects in Kyrgyzstan and Kazakhstan.

BACKGROUND TO THE DISPOSAL OF THE VARVARINSKOYE PROJECT

As at the date of disposal of the Varvarinskoye Project on October 30, 2009, the Company had (directly and/or through its subsidiaries) outstanding debt and hedging settlement obligations in an aggregate amount of approximately \$236 million, which amounts were owing to the Lenders under a debt facility (the "Debt Facility") arranged by the Lenders in favour of JSCV to facilitate the construction and development of the Varvarinskoye Project. The Company was the guarantor of such debt and of the obligations of European Minerals (UK) Limited ("EM Limited"), a wholly-owned subsidiary of the Company, under gold hedge (forward sales) contracts (the "Hedge Contracts") relating to the Varvarinskoye Project (collectively, the "Varvarinskoye Project Debt").

The Company was unable to meet the first two repayment tranches under the Debt Facility of \$16.65 million due on December 31, 2008 and \$19.4 million due on June 30, 2009. The Company was also in breach of the permitted indebtedness covenants under the Debt Facility with respect to its trade creditors, both in respect of amounts and terms. In addition, the Company had been unable to meet its settlement obligations under the Hedge Contracts in the aggregate amount of \$23 million as they fell due.

While the Company, assisted by Endeavour Financial International Corporation, had been working with the Lenders for several months during 2009 to refinance the Varvarinskoye Project Debt, and had presented various proposals to the Lenders in respect of same, satisfactory arrangements could not be reached. During that time, the need for additional capital to fund the Varvarinskoye Project increased.

As an alternative to refinancing the Varvarinskoye Project Debt, management of the Company investigated the possibility of disposing of the Varvarinskoye Project, as well as the Varvarinskoye Project Debt.

Management undertook such investigation as a result of the length of time that continued discussions with the Lenders required, in light of the lack of refinancing alternatives generally available to the Company at such time as a result of the then current global credit and equity market conditions and the Company's continuing default under the Varvarinskoye Project Debt, and with the desire to maximise shareholder value in the face of alternative scenarios. On June 13, 2009, the Company entered into a sale and purchase agreement (the "SPA") with Polymetal, pursuant to which the Company agreed, subject to certain conditions, to sell to Polymetal 100% of the shares of its subsidiary Three K Exploration & Mining Limited ("Three K"), and through such sale, the sale of JSCV, the registered holder of the Varvarinskoye Project.

The sale was completed on October 30, 2009 and, as a result of the sale:

- EM Limited novated its Hedge Contracts and related obligations with respect to the Varvarinskoye Project to Three K;
- the Company was released from its obligations as guarantor of the Varvarinskoye Project Debt;
- the Company completed an inter-company debt reorganisation such that there is no longer any outstanding indebtedness between the Company or any of its remaining subsidiaries and Three K or any of its subsidiaries; and
- Polymetal thereafter acquired 100% of the issued and outstanding share capital of Three K from the Company in exchange for initial cash consideration of \$8 million on closing and deferred consideration of up to \$12 million (contingent on future gold and copper prices and calculated by reference thereto).

As a result of the sale of the Varvarinskoye Project, the Company and its remaining subsidiaries no longer have any outstanding long-term debt or hedging obligations.

NET GAIN ON THE DISPOSAL OF THE VARVARINSKOYE PROJECT

Upon the disposal of the Varvarinskoye Project, the Company realized a net gain on disposal of \$161 million, taking into account the initial sale consideration received of \$8 million, costs of disposal of \$2.9 million, inter-company debt write-offs of \$80.2 million and the assets and liabilities associated with the Varvarinskoye Project as at the date of disposal.

Deferred consideration of up to a maximum of \$12 million may also be received, depending upon the hedging program entered into by the purchaser, future gold and copper metal prices and the future cash flows of JSCV. The value and timing of any deferred consideration will vary depending on the future price of gold and copper and accordingly, is accounted for as a derivative. Due to the uncertainties surrounding future gold and copper metal prices and the future cash flows of JSCV, the deferred consideration has been assigned an immaterial fair value under Canadian GAAP as at the date of disposal and as at December 31, 2009.

As at the date of disposal, the Company had been unable to meet any of its debt repayments under the Debt Facility. At the time of the sale, the Company was released from its debt obligations under the Debt Facility, which had an outstanding balance of \$60.9 million immediately prior to the release.

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The Company was also granted a release from its obligations under the Varvarinskoye Project derivative liabilities, primarily US dollar flat forward gold sales contracts. As at the date of disposal, the Company had been unable to meet any of its gold forward contract settlement obligations for 2009 of \$23 million for closed contracts. In addition, as at the date of disposal, the Company had a future liability of \$152 million for future (open) contracts (before credit risk adjustments). The future obligation had been valued on a mark to market basis as at October 30, 2009.

The net gain on disposal of the Varvarinskoye Project is summarised in the table below:-

	As at October 30, 2009
	\$000s
<u>Net liabilities disposed:-</u>	
Current liabilities	78,510
Other liabilities	232,287
Less:-	
Current assets	(56,130)
Tangible assets	(18,722)
Net liabilities of discontinued operations disposed	235,945
<u>Less:-</u>	
Disposal costs	(2,928)
Subsidiary receivables written off	(80,205)
	152,812
Initial cash proceeds from sale	8,000
Net gain from disposal of discontinued operations	160,812

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2009 the Company's main source of liquidity was unrestricted cash of \$3.4 million, compared with \$6.2 million as at December 31, 2008 (excluding cash of \$1.6 million held by the Varvarinskoye Project).

The Company measures its consolidated working capital as comprising free cash, inventory, and accounts receivable, other assets and prepayments, less accounts payable and accrued liabilities, current portion of the principal on long term debt and the current portion of derivative liabilities.

At December 31, 2009, the Company's consolidated working capital was \$2.8 million compared with a consolidated working capital deficit of \$180.2 million as at September 30, 2009, and a consolidated working capital deficit of \$68.6 million as at December 31, 2008.

The significant improvement in the Company's consolidated working capital position between December 31, 2009 and December 31, 2008 is due to the disposal of the Varvarinskoye Project during 2009, which resulted in the receipt of an initial cash consideration of \$8 million (net consideration of \$5 million after settlement of all advisory, legal and other sale transaction costs) and the disposal of all of the debt and derivative liabilities associated with the Varvarinskoye Project.

As at September 30, 2009, of the Company's consolidated working capital deficit of \$180.2 million, the Varvarinskoye Project working capital deficit was \$151.9 million. As at December 31, 2008, of the Company's consolidated working capital deficit of \$68.7 million, the Varvarinskoye Project working capital deficit was \$47.2 million. The significant increase in the Varvarinskoye Project working capital deficit between December 31, 2008 and September 30, 2009 was due to the re-classification of all of the debt and derivative obligations as current as at September 30, 2009 due to the continuing debt and hedge defaults which entitled the Lenders to demand the immediate repayment of all debt and hedge obligations.

However, whilst Orsu has received the initial sale consideration of \$8 million, there is significant uncertainty in relation to the future receipt of any deferred consideration proceeds (up to a maximum entitlement of \$12 million). Deferred consideration proceeds are dependent upon the hedging program entered into by the purchaser, future gold and copper metal price levels and the future cash flows of JSCV. These key factors are not under the control or influence of Orsu.

Furthermore, the Company's liquidity at December 31, 2009 is insufficient to meet the Company's corporate, administrative and exploration costs and commitments for the next twelve months, if not sooner as a result of

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any unexpected events at this time. The Company's main funding requirements are for its corporate overheads and continuation of its mineral property and project licence obligations, including funding of its 40% pro-rata share of the Talas Project exploration funding requirements. As a result, the Company is actively seeking additional sources of equity financing and has begun planning in this respect. Whilst the Company has been successful in raising such 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 are listed under "Risks and Uncertainties" in this MD&A.

GOING CONCERN

Whilst the Company's financial statements have been prepared using Canadian GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, the adverse conditions below cast significant doubt as to the Company's ability to meet its obligations as they became due and, accordingly, the appropriateness of using accounting principles applicable to going concern as at December 31, 2009.

At December 31, 2009, the Company had cash and cash equivalents of \$3.4 million, consolidated working capital of \$2.8 million (a consolidated working capital deficiency of \$68.6 million as at December 31, 2008). The funds on hand at December 31, 2009 are not sufficient to meet the Company's corporate, administrative and exploration costs and commitments for the next twelve months, if not sooner in the event of any unexpected events. While the Company is actively seeking new sources of equity financing, there can be no assurance that the Company will be successful in doing so for the reasons set forth above in the "Liquidity and Capital Resources" section and due to the other factors listed under "Risks and Uncertainties" in this MD&A. Because of this uncertainty, there is significant doubt about the ability of the Company to continue as a going concern.

The Company's consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

COMMITMENTS

The following table summarises the commitments of the Company as at December 31, 2009:

	2010	2011	2012	2013	2014 +	Total
Expressed in \$000s	\$	\$	\$	\$	\$	\$
Lease obligations	352	-	-	-	-	352

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 project to develop an effective plan and will continue to assess resource and training requirements as the project progresses.

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

During 2009, PricewaterhouseCoopers has continued to advise the Company regarding the scoping and planning phase of its changeover plan, which shall be completed during the first quarter of 2010, at which time the detailed assessment phase is expected to commence and is expected to be completed during the third quarter of 2010.

The scoping and planning phase has involved establishing a project management effort, mobilizing organizational support for the conversion plan, identifying major areas affected, and developing an implementation plan and communication strategy. The detailed assessment phase will result in accounting policy decisions, quantification of financial statement impact, identification of business processes and resources impacted. The operations implementation phase includes the preparation of draft financial statements and

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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.

The Company's assessment of high impact areas of potential differences is as follows:

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.

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.

Property, plant and equipment

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

Under IFRS:

- IFRS 1 allows companies to elect 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.

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.

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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.

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.

CHANGES IN ACCOUNTING POLICIES

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

Accounting changes

Credit risk and the fair value of financial assets and financial liabilities

Effective January 1, 2009, the Company adopted EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities ("EIC 173") which requires that an entity's own credit risk and the credit risk of the counterparty to a financial instrument should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The guidance requires that the change in accounting be applied at the beginning of the period on a retroactive basis, without restatement of prior periods.

As a result of the implementation of the guidance in EIC-173, the opening deficit and derivative liabilities as at January 1, 2009 have each been reduced by \$32.5 million to recognize a risk adjusted rate for the Company in the range of 14% to 17% per annum, depending on the remaining term of the derivative liability contracts.

Changes in the fair value of other financial liabilities and financial assets as a result of the application of EIC-173 are not considered to be significant due to the relative size and/or expected duration of these financial instruments.

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"), replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. In addition, EIC 27 is no longer applicable for companies upon adoption of CICA 3064. CICA 3064 establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets and provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. This Section is applicable to a company's reporting periods regarding interim and annual financial statements for fiscal years beginning on or after October 1, 2008.

Prior to the adoption of CICA 3064, the Company defined commercial production levels as the earlier of the stage when mining and milling activities are operating at 65% of design capacity for a sustained period for not less than 30 days, or six months from commencement of production. The Company commenced commercial production at Varvarinskoye and recognized operating revenues and expenses for production activities with effect from July 1, 2008. However, the Company had previously treated all pre-commercial production operating expenses, including applicable stock compensation costs and interest, as capitalised development costs net of pre-commercial production metal revenues.

The Company adopted the revised guidance of CICA 3064 retroactively. The impact on the income statement for the year ended December 31, 2008, prior to the change in presentation for discontinued operations, was to increase sales by \$15.5 million, increase cost of sales by \$19.1 million, increase other expenses by \$6 million and decrease impairment loss by \$9.6 million. Net loss for the year was unchanged.

New accounting pronouncements

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 % 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 December 31, 2009:

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 the purchase price allocation, reserve and production quantities, production costs, depletion, depreciation and amortization, long-lived asset impairment, asset retirement obligation assumptions, stock based compensation and the valuation of derivatives and contingencies.

Revenue recognition

Revenue from sales is based upon the actual or, if applicable, estimated value of metals sold, net of value added tax and refining and treatment charges withheld by the refiner. Revenue is recognized only once the product has been delivered to the customer, title and risk of ownership have passed, collection is reasonably assured and the price is reasonably determinable.

The Company's copper metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. Revenues are recorded at the time of sale based on forward prices for the expected date of final settlement. As a result, the values of

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concentrate receivables change as the underlying commodity market prices vary. This component of the contract is an embedded derivative, which is recorded at fair value with changes in fair value recorded in revenue.

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.

Inventories

Product inventories are carried at the lower of cost or net realizable value. Cost is comprised of production costs for ore produced and processed. Production costs include the costs of materials, costs of processing and roasting, direct labour, stock-based compensation, mine site and processing facility overhead costs and depreciation, depletion and amortization. Stripping costs are included in the cost of inventory produced unless the stripping activity can be shown to be a betterment of the mineral property, in which case stripping costs are capitalized. The Company uses the weighted average cost method (based upon the cost of product inventories at normal operating levels) for valuing the cost of product inventory produced and sold.

Material and supplies inventories are carried at the lower of cost or net realizable value.

Stockpiled ore is measured by estimating the number of tonnes added and removed from the stockpile, the number of contained metal ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Mineral property and development costs

Mineral property and development costs represent capitalized expenditures related to the acquisition 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.

Mining, property and development costs are amortised using the units-of-production method. The assets are amortised based on the amount of ore mined in the period as a percentage of the total recoverable mineral reserves during the life of the mine.

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 impairment is identified, the carrying value of the property is written down to its estimated fair value.

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, however, 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.

Asset retirement obligations

The Company recognizes the estimated fair value of liabilities for asset retirement obligations, which include reclamation and closure costs, in the period they are incurred. A corresponding addition to the carrying value of the related asset is recorded and depreciated over the life of the related asset. The amount of the liability is subject to re-measurement in each reporting period for changes in the estimated timing or amount of expenditures and is accreted over time to the estimated retirement obligation ultimately payable through charges to operations.

The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, changes in technology and the means and cost of reclamation.

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.

Derivative instruments

All derivative financial instruments are classified as held for trading and are measured at fair value. The fair value of derivative instruments is adjusted at each balance sheet date with changes in fair value recorded in the determination of net income. Fair value estimates for derivative contracts are based on quoted market prices for comparable contracts and represent the amount the Company would have received from, or paid to, counterparties to unwind the contract at the market rates in effect at the balance sheet date.

Incentive stock option plan

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

Earnings (loss) per share

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

RISKS AND UNCERTAINTIES

Readers of this MD&A should give careful consideration to the information included in this document and the Company's consolidated financial statements and notes. The following describes some of the risks that could affect Orsu. There may be additional risks unknown to Orsu and other risks, currently believed to be immaterial, could turn out to be material and impair the Company's operations and financial condition. These risks, whether they materialise individually or simultaneously, could significantly adversely affect the Company's business and financial results.

These risks include risks associated with the estimate of mineral resources; risks related to exploration and development operations; risk of changes to applicable government regulations relating to the mining industry or to their application or shifts in political conditions in foreign countries; risks of changes to environmental legislation; risks associated with the political and legal environment in Kazakhstan and Kyrgyzstan; risks associated with doing business in Kazakhstan and Kyrgyzstan; risks associated with the acquisition and retention of title to mineral properties; risks associated with non-compliance with environmental and regulatory requirements; fluctuations in the price of gold or copper and foreign currency fluctuations; risks related to obtaining required financing and operating permits on a timely basis; and the inability to economically or fully insure against certain risks. Additional risks not currently known to the Company, or that the Company currently considers immaterial, may also adversely affect or impair the Company's operations and results of operations. The Company is also subject to a number of risk factors due to the nature of the resource business in which it is engaged. The Company seeks to counter these risks as much as possible by selecting exploration and development areas on the basis of their recognised geological, production and potential to host economic returns.

Working Capital and Liquidity

The Company's only source of liquidity is cash and cash equivalent balances. Liquidity requirements are managed based upon forecast cash flows to ensure that there is sufficient working capital to meet the Company's obligations.

The Company's liquidity at December 31, 2009 is insufficient to meet the Company's corporate, administrative and exploration costs and commitments for the next twelve months, if not sooner in the event of any unexpected events. The Company's main funding requirements are for its corporate overheads and continuation of its mineral property and project licence obligations, including funding of its 40% pro-rata share of the Talas Project exploration funding requirements. As a result, the Company is actively seeking additional sources of equity financing and has begun planning in this respect. While the Company has been successful in raising such 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 listed under this "Risks and Uncertainties" section of this MD&A and there can be no assurance that the Company will be successful in obtaining any additional financing required to continue its business operations.

The Company's ability to continue its business operations and exploration activities is dependent on management's ability to secure additional financing and any failure to do so is likely to have a material adverse effect on the Company's business and its financial condition.

Additional Equity Financing

The advancement, exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of the advancement, exploration, development or commercial production on any or all of the Company's properties or even a loss of a property interest. Additional equity financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations. Global securities markets are currently experiencing volatility, which may result in difficulty in raising equity capital and market forces may render it difficult or impossible for the Company to secure purchasers of the Company's securities at prices which will not lead to severe dilution to existing shareholders, or at all.

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 Three K and the business of JSCV. These warranties are subject to certain limitations, including specified time periods within which claims relating to such warranties can be brought and individual and aggregate claims thresholds and liability caps which are customary for a transaction of this nature. The Company has also given indemnities relating to certain potential tax liabilities and liabilities connected to certain dormant subsidiaries of Three K which have been transferred to Polymetal in connection with the transaction but which are to be transferred back to the Company.

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. 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.

Risks relating to the Karchiga Project Contract

Notwithstanding the Former MEMR having approved the amendments relating to the Karchiga Project Contract, in the absence of the execution and registration of the amended Karchiga Project Contract reflecting such amendments, GRK (as defined below) may be technically in breach of its contractual obligations under the Karchiga Project Contract. In addition, as a result of the delay in obtaining the execution and registration of the amended Karchiga Project Contract, GRK has not obtained from the Former MEMR the formal annual approval required for its work program for 2009 (as required by Kazakhstan laws) and therefore, may have technically conducted its activities in 2009 in breach of the Karchiga Project Contract and in violation of Kazakhstan laws. As of the date hereof, GRK has not received any notification letter from the Former MEMR or Competent Authority (as defined below) that GRK conducted its activities in violation of either the Karchiga Project Contract or Kazakhstan laws. Every significant violation by GRK of its obligations under the Karchiga Project Contract may cause the suspension or termination of the Karchiga Project Contract and the materiality of any given violation is not established under Kazakh law and, as a result, is determined at the discretion of the Competent Authority. If the amended Karchiga Project Contract is not executed by, and registered with, the Competent Authority, the Karchiga Project Contract may be deemed terminated effective as of February 28, 2010. Accordingly, there is a risk that GRK will lose its interest in the Karchiga Project and its rights to conduct subsoil operations under the Karchiga Project Contract, which may have a material adverse effect on the Company, its financial condition, results of operations and the trading price of the Company's common shares.

"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, recently, the Former MEMR, which was dissolved on March 12, 2010. On this same date, the Ministry of Oil and Gas of the Republic of Kazakhstan ("MOG") was created and the Ministry of Industry and Trade of the Republic of Kazakhstan was re-organized into the Ministry of Industry and New Technologies of the Republic of Kazakhstan ("MINT", and together with MOG, the "New Ministries"). These changes involved, among other things, the transfer of the Former MEMR's functions and authorities in the mining industry to the New Ministries.

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

Article 71 of Kazakhstan's Law No. 2828 "On Subsoil and Subsoil Use" dated January 27, 1996 (the "Subsoil Use Law") 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 (A) a legal entity holding a Kazakh subsoil use right or (B) 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 current purchasers. The Competent Authority in subsoil has the right to terminate a subsoil user contract if a transaction takes place in breach of the requirements of Article 71 of the Subsoil Use Law, which applies both to Kazakh and overseas entities.

Also, under Article 14 of the Subsoil Use 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. 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. Although the Subsoil Use Law does not state that the consent of the Competent Authority applies to transfers of shares in ultimate shareholders (such as Orsu) of a subsoil user, the Competent Authority interprets the relevant provision of the Subsoil Use Law broadly so as to apply to transfers of shares in subsoil users or any of their direct or indirect parent entities.

This statutory pre-emptive right applies not only to initial issuances of shares from the Company's or any of its subsidiaries' treasury, but also to any subsequent trading of such shares, including, in the case of the Company's common shares, trading through the facilities of the Toronto Stock Exchange (the "TSX") and the AIM Market of the London Stock Exchange ("AIM"). While it is unclear whether such a pre-emptive right is valid

at law in respect of offshore transactions, it purports to have extra-jurisdictional effect. Consequently, as a matter of Kazakh public policy, future acquisitions of assets and/or equity interests in such assets in Kazakhstan will be subject to such law. Furthermore, 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, results of operations and the trading price of the Company's common shares.

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 subsequent trading of the Company's common shares. The Company is in the process of preparing an application for a waiver of the application of the State of Kazakhstan's pre-emptive right with respect to the current trading of the Company's common shares on the TSX and AIM and expects to make such application within the next few weeks. While the Company expects to obtain such waiver in due course, there can be no assurance that the Company will be successful in obtaining such waiver and, accordingly, there is a risk of the State of Kazakhstan enforcing its pre-emptive right by terminating the Company's subsoil use contract due to the Company's breach of the Subsoil Use Law. The Company is not aware of any instance of the State of Kazakhstan having terminated a subsoil use contract of any legal entity which indirectly, through its subsidiaries, holds a Kazakh subsoil use right as a result of the shares of such entity having been traded on a stock exchange or other public market in breach of the Subsoil Use Law. In the event that the State of Kazakhstan exercises its pre-emptive rights in respect of the current trading of the Company's common shares on the TSX and AIM, such exercise may have a material adverse effect on the Company, its financial condition, results of operations and the trading price of the Company's common shares.

Gold Fields Joint Venture.

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

Although the Company expects that it will contribute to expenditures in accordance with its pro-rata share, no assurance can be given in this respect, as the Company's liquidity at December 31, 2009 is insufficient to meet the Company's corporate, administrative and exploration costs and commitments for the next twelve months, if not sooner in the event of any unexpected events. While the Company has been successful in raising additional 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, economic downturn and those other factors listed under this "Risks and Uncertainties" section of this MD&A. There can be no assurance that the Company will be successful in obtaining any additional financing required to maintain its properties or interests therein and to continue its business operations. As a result, the Company's interest in the Talas Project may be diluted from the present 40% if the Company is unable to make its pro-rata contribution to the Talas Project at any time in the future. If the Company's interest is reduced to 10% or less, then such interest will be substituted for a 2% net smelter returns royalty.

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 Competent Authority's pre-emptive right with respect to the Karchiga Project and the current trading of the Common Shares on the TSX and AIM, the execution and registration with the Competent Authority of the amended Karchiga Project Contract, the approval of the Kazakh authorities in order to proceed with a feasibility study on the Karchiga Project, and the extensions of the Tokhtazan and Akdjol licences, related agreements and land rights after February 20, 2010). No assurance can be given that approvals, consents, licences, permits and registrations currently held by Orsu or which are obtained in the future will not be withdrawn, revoked or subject to change, with or without notice, or that they will not be renewed or extended as required. As well, additional project specific consents, permits, registrations and/or governmental decrees may be required. Furthermore, as Kazakhstan and Kyrgyzstan have somewhat bureaucratic administrative systems, there may be delays in obtaining, renewing or extending such approvals, consents, licences, permits and registrations. There is no assurance that Orsu will be able to obtain, maintain, renew or extend all necessary approvals, consents, licences, permits and registrations that may be required and/or that all consents, licences, permits and registrations specific to the Company's exploration projects will be forthcoming in order to enable Orsu to explore and develop the properties on which it has exploration,

development and subsoil use rights or to commence construction or operation of mining facilities that economically justify the costs involved. All such factors may have material adverse effects on Orsu's business and financial condition.

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, financial condition, results of operations or prospects.

Adverse Economic Conditions in Kazakhstan

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

Uncertain Legal Environment in Kazakhstan

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

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

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

In general, there remains uncertainty as to the extent to which Kazakh parties and entities, particularly governmental agencies, will respect the contractual and other rights of the non-Kazakh parties with which they deal and also as to the extent to which the "rule of law" has taken hold and will be upheld in Kazakhstan. Procedures for the protection of rights, such as the taking of security, the enforcement of claims and proceedings for injunctive relief or to obtain damages, are still relatively undeveloped in Kazakhstan. Accordingly, there may be greater difficulty and uncertainty in respect of the Company's ability to protect and enforce its legislated and

contractual rights. There can be no assurance that this will not have a material adverse effect upon the Company's business and financial condition.

Recent Changes in Kazakh Subsoil Use Law and Regulatory Authorities

On February 17, 2010, the Mazhilis (the lower chamber of the Kazakhstan Parliament) approved a new Kazakhstan law "On Subsoil and Subsoil Use" (the "New Subsoil Law"), which will become effective if and when approved by both the Senate (the upper chamber of the Kazakhstan Parliament) and the President of the Republic of Kazakhstan. As the text of the New Subsoil Law is not currently publicly available, 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 the MOG was created. 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 the New Ministries.

In light of the proposed changes in legislation, the changes in the relevant regulatory authorities in Kazakhstan and the absence of regulations governing the activities of the New Ministries, it is not clear which of MOG or MINT will regulate GRK and the Company's business operations in Kazakhstan. Accordingly, it is not clear whether new approvals of a new regulatory body will be required for the execution and registration of the amendments to the Karchiga Project Contract.

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 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.

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.

Risks related to Kyrgyz legislation and Kyrgyz legal system

The legislation of the Kyrgyz Republic is not stable and is regularly amended and modified. The following risks create uncertainties to business entities in the Kyrgyz Republic: conflicting and uncoordinated laws, regulations and decrees; inconsistent application of laws and regulation; alleged bribery and corruption and non-

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transparency within governmental bodies; alleged non-independent judicial system; certain limitations related to foreign citizens; the possible adoption of a new tax code which might adversely affect companies doing exploitation business in the Kyrgyz Republic; discrepancies and confusion surrounding the powers of different governmental agencies; and excessive discretion. There is also no assurance that the Company's legal rights to use or operate any property in which it invests in Kyrgyzstan will be recognised by the relevant government or other authorities.

No assurance can be given that the uncertainties associated with the existing and future laws and regulations in Kyrgyzstan generally will not have a material adverse effect on the Company's investments or operations. Governmental authorities have a high degree of discretion in the Kyrgyz Republic and at times act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law or influenced by political or commercial considerations. Moreover, the government also has the power in certain circumstances, by regulation or governmental act, to interfere with the performance of, nullify or terminate contracts.

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, general and special damages in the amount of CAD\$50,000,000 and punitive damages in the amount of CAD\$5,000,000 have been claimed against Orsu. While Orsu has entered into the court-approved settlement agreement, which became effective on March 22, 2010, class members have the right thereafter to opt out of the settlement during a 60-day opt-out period, which will commence no later than April 6, 2010. If class members opt out of the settlement, they will be permitted to file individual actions against the Company. Furthermore, the Company and the other defendants have the right to terminate the settlement agreement if too many class members exercise their opt-out rights. While the Company, at this time, does not anticipate that class members will opt out of the settlement agreement, there can be no assurance that this will be the case. Any opt-out by a class member would result in further Company resources, both financial and personnel, being redirected from the Company's business and, while the Company, at this time, does not expect that the individual claims of any opt-out members would be significant, any such claims may have a material adverse effect on Orsu's financial condition.

In addition, the enforceability of the settlement agreement against class members who are not residents of Canada, even following the expiry of the opt-out period, will be subject to the various jurisdictional laws of the respective countries in which such persons are located or bring any further action. In any class action involving potential class members in foreign countries, there is always the possibility that some of those class members (who did not exercise their opt-out rights within the allocated time) may still be able to pursue individual claims and seek recovery in the courts of their respective countries. While the Company does not anticipate that any individual claims by foreign class members will be significant, there can be no assurance and any such claims may have a material adverse effect on Orsu's financial condition.

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.

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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

Recent market events and conditions, including disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and global economic conditions, 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 caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly resource exploration and development companies such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Market Price of Common Shares

Worldwide securities markets have 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 have 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.

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Currency Risk

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

Interest Rate Risk

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

Exchange rates

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

Asset Impairment

In accordance with Canadian GAAP (CICA 3063, "Impairment of Long-Lived Assets"), the Company considers those events or circumstances which may indicate that a long-lived asset's carrying amount may not be recoverable, in which case the carrying value of long-lived assets is tested for impairment.

At December 31, 2009, 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 judgements 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 licencing or contractual obligations, which include periodic payment of royalties to the governments and the satisfaction of mining, environmental, health and safety requirements. The Company's management makes every effort to ensure compliance with all mining legislation, the terms of subsoil use contracts and any approved work programmes. Please see "The Government of Kazakhstan's pre-emptive rights, waiver and consent of the Competent Authority" and "Risks relating to the Karchiga Project Contract".

Health, safety and environment

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

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

Insurance Risk

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

The potential costs that could be associated with any liabilities not covered by insurance which may be, but are not, taken out or are in excess of insurance coverage actually taken out may cause substantial delays and 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 its 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.

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In addition, Orsu has submitted a number of United Kingdom corporation tax returns after the due date for making such filings. The Company believes that no material United Kingdom corporation tax is payable and late filing penalties will be minimal. The late filing of the returns may, however, lead to increased scrutiny of Orsu from the United Kingdom taxing authority.

FORWARD-LOOKING INFORMATION

This MD&A contains or refers to forward-looking information. All information, other than information regarding historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Such forward-looking information includes, without limitation: the amount and timing of deferred consideration that may be payable to the Company by Polymetal pursuant to the sale of the Varvarinskoye Project; the expected effect of the sale of the Varvarinskoye Project on the Company's current operations; the Company's expectations with respect to the filing and timing of an application for a waiver of the Competent Authority's pre-emptive right with respect to the current trading of the Company's common shares on the TSX and AIM and the Company's ability to obtain same; the execution and registration of the amended Karchiga Project Contract; the continued exploration and the development of the Company's properties and the costs related thereto; the anticipated receipt of drill results relating to Korgontash; development and operational plans and objectives; continued financial support from, and development efforts by, Gold Fields with respect to the Barkol, Kentash, Taldybulak and Korgontash licences; the completion of a feasibility study on the Talas Project; mineral resource estimates; estimates relating to copper concentrate production at the Karchiga Project; the proposed work programs for the Company's exploration properties and their respective timing; the Company's expectation regarding the submission of a resource calculation study with an approved cut off grade to the Kazakh authorities with respect to the Karchiga Project and the receipt of an approval in connection therewith; the receipt and timing of a decision regarding the extension of the Akdjol and Tokhtazan licences and related agreements and land rights; estimates relating to critical accounting policies; the Company's plans with respect to the conversion to IFRS, including the Company's expected timing for completing the phases of its plan and the development of an effective plan; the continuation of assessments relating to resource and training requirements and the impact of IFRS on, amongst other things, the Company's accounting policies, information technology and data systems; the Company's plans for adopting and/or implementing changes to accounting policies and the impact of same on the Company's financial statements; that the Company and the other defendants will not need to terminate the settlement agreement as a result of class members opting out of the settlement, the significance of any claims by members who opt out and the dismissal of the Class Action Claim and the Szuszkiewicz action; the Company's expectations with respect to pursuing new opportunities and acquisitions and its future growth; and the Company's ability to raise new funding.

The forward-looking information in this MD&A reflects the current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward looking information contained in this MD&A, the Company has made assumptions regarding, among other things, the treatment of the Varvarinskoye Project as discontinued operations, the appropriateness of using accounting principles applicable to a going concern, the Company's ability to generate sufficient funds from capital markets to meet its future obligations (including expenditures to be made pursuant to the terms of the JV Agreement in order to retain the Company's interest in the Talas Project) following the disposition of the Varvarinskoye Project, the effectiveness of the Company's design relating to the implementation of IFRS, assumptions relating to the Company's critical accounting policies, the Company's business, the economy and the mineral exploration industry in general, the regulatory frameworks in Kazakhstan and Kyrgyzstan with respect to, among other things, 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 the Company's ability to: (i) execute and register the amended Karchiga Project Contract; (ii) obtain an extension of the Taldybulak and Barkol licences beyond December 31, 2010; (iii) obtain an extension of the Tokhtazan and Akdjol licences and related agreements and land rights; and (iv) obtain a waiver of the Competent Authority's pre-emptive right relating to the Karchiga Project); the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand, and has also assumed that no unusual geological or technical problems occur, plant and equipment work as anticipated, no material adverse change in the price of copper or gold occurs and no significant events occur outside of the Company's normal course of business.

Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on, the Company.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: risks normally incidental to exploration and development of mineral properties; uncertainties in the interpretation of drill results; the possibility that future exploration, development or mining results will not be consistent with expectations; uncertainty of mineral resources estimates; the Company's inability to obtain, maintain, renew and/or extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the regulatory frameworks in Kazakhstan and Kyrgyzstan (including the failure to execute and register an amended Karchiga Project Contract or obtain the Competent Authority'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, Barkol, Tokhtazan and Akdjol licences and the agreements and rights, as applicable, related thereto); adverse changes in the laws governing the Company, its subsidiaries and

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their respective business activities; 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 joint venture; the Company's inability to continue as a going concern; adverse general market conditions; the possibility of class members opting out of the settlement in respect of the Class Action Claim; the Company's inability to delineate additional mineral resources and delineate mineral reserves; future unforeseen liabilities and other factors including, but not limited to, those listed under "Risk and Uncertainties" in this MD&A.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

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.

Additional information about the risks and uncertainties of the Company's business is provided in its disclosure materials, including the Company's Annual Information Form (the "Annual Information Form") available under the Company's profile on SEDAR at www.sedar.com.

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 December 31, 2009.

Internal Controls Over Financial Reporting ("ICFR")

The 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 Executive Officer and Chief Financial Officer of Orsu directed the assessment of the design and operating effectiveness of the Company's ICFR as at December 31, 2009 and based on that assessment determined that the Company's ICFR, no matter how well designed, has inherent limitations. Therefore, the ICFR can only provide reasonable assurance with respect to financial statement preparation and may not prevent all misstatements, errors or fraud.

Material weakness relating to design and operation of ICFR

During the assessment of the design and operating effectiveness of the Company's ICFR, it was noted that, due to the limited number of financial staff at some of the Company's locations, it was not feasible to achieve complete segregation of duties with respect to all internal control functions and processes. This failure to achieve complete segregation of duties combined with the decentralised nature of the Company's operations increases the risk of misstatement. This risk is proactively managed and mitigated through regular internal reporting of financial transactions, maximum use of system-generated transaction audit reports, stringent staff selection policies and employer references and by the Chief Financial Officer regularly visiting and reviewing the activities of the Company's overseas finance departments.

While management of the Company has put in place certain plans and procedures to mitigate the risk of a

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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 were made to the Company's ICFR during the period ended December 31, 2009 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 March 24, 2010:

Outstanding Securities	Number in issue
Common shares of no par value ("Shares")	45,696,049
Share purchase options ⁽¹⁾	20,112,500
Share purchase warrants ⁽²⁾	128,547,520

Note:

1. Up to 2,011,250 Shares are issuable upon the exercise of the share purchase options.
2. Up to 12,854,752 Shares (subject to any further adjustments in the case of approximately 1,230,215 Shares pursuant to the governing warrant instrument) are issuable upon the exercise of the share purchase warrants.

ENDS