

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All dollar amounts are expressed in thousands of United States dollars unless otherwise stated)

Management's Discussion and Analysis ("MD&A") provides a detailed discussion of Orosur Mining Inc. ("the Company") financial and operating results for the year ended May 31, 2011, with comparisons to the previous years.

This MD&A accompanies, and should be read in conjunction with, the audited consolidated financial statements and accompanying notes of the Company for the two years ended May 31, 2011 and May 31, 2010. Additional information relating to the Company, including press releases, have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online at www.sedar.com or on the Company's website at www.orosur.ca. The Company's financial statements and the financial data presented in this document have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A is effective as of August 16, 2011.

1. DESCRIPTION OF BUSINESS.....	3
2. KEY RESULTS.....	3
3. OUTLOOK AND STRATEGY.....	4
4. SUBSEQUENT EVENTS.....	5
4.1 Talca Acquisition	
4.2 Private placement	
5. OVERVIEW OF FINANCIAL RESULTS.....	6
5.1 Net profit	
5.2 Sales	
5.3 Production statistics	
5.4 Production costs	
5.5 Depreciation	
5.6 Corporate expenses and other gains and expenses	
5.7 Income tax	
6. FINANCIAL POSITION.....	11
6.1 Cash and other liquid resources	
6.2 Working capital items	
6.3 Capital expenditure	
6.4 Funding	
6.5 Financial instruments	
6.6 Contractual obligations and commitments	
7. QUARTERLY RESULTS.....	14
8. RISKS AND UNCERTAINTIES.....	15
9. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS.....	16
10. CHANGES IN ACCOUNTING POLICIES.....	17
11. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING.....	18
12. NON GAAP MEASURES.....	19
13. INTERNATIONAL FINANCIAL REPORTING STANDARDS.....	19
14. FORWARD LOOKING STATEMENTS.....	20

1. DESCRIPTION OF BUSINESS

Orosur Mining Inc is a gold producer and exploration company incorporated in Canada and operating in Uruguay and Chile. The Company's common shares are listed on the Toronto Venture Stock Exchange (symbol OMI) and the London Alternative Investment Market (symbol OMI).

In Uruguay the Company operates the San Gregorio gold operations, the only producing gold mine in the country, in the northern Department of Rivera. It has been exploring in Uruguay since 1996 and acquired the San Gregorio operation in October 2003. During the current financial year, the Company completed a feasibility study to produce gold from a new underground source (Arenal Deeps project) in the San Gregorio district. Following Board of Directors approval, development work started in February 2011 following equipment delivery and final environmental permitting. Ore mining is expected to start in the last quarter of calendar 2011 and to be carried out concurrently with development. The underground operation is expected to extend mine life at San Gregorio and open the potential for further underground development on existing resources and new discoveries in the rest of the San Gregorio district. The Company also has strategic land holdings throughout Uruguay and has active near mine and regional exploration programmes focused on increasing gold reserves.

In Chile, the Company has optioned the Pantanillo property from Anglo American, located in the Maricunga Belt, and has defined during the current financial year its maiden NI 43-101 resource statement, with a medium term objective to develop a second producing asset. The Company also has an active exploration programme on the Anillo property, optioned from CODELCO (Chile's national mining company), and located close to Antofagasta, in Region II, Northern Chile. Subsequent to the end of the financial year, the Company signed an acquisition agreement to acquire the Talca exploration asset located close to La Serena, north of Santiago in Chile, still subject to Talca's shareholders approval.

The Company is focused on growth through its own exploration programs as well as evaluating and acquiring mining assets throughout Latin America that have the potential to deliver resources to the Company to be brought into production in a short to medium term. The Company also develops other available mineral opportunities in its portfolio, other than gold, through joint ventures and farm-out agreements.

2. KEY RESULTS

Key results for the year ended May 31, 2011 are:

- Production for the year was 55,817 ounces of gold which is similar to last year's production of 56,050 ounces. This production level is in line with expectations of 55,000 ounces.

- Total Cash costs per ounce of gold for the year was \$754, while operating cash cost was \$724 per ounce. That compares with \$827 and \$794 respectively from last year. This is a significant improvement on the Company's original target of \$825 per ounce and in line with expectations presented after the third quarter results of a cash cost per ounce of approximately \$750. The reduction in costs is a consequence of several factors, mainly mining higher grade ore (1.42 g/ton Au this year compared to 1.06 g/ton last year), the cost reduction undertaken since 2009, and increased silver revenues.
- The realized gold price was \$1,347 per ounce for the year compared to \$1,065 per ounce for last year.
- The after-tax profit for the year is \$15,946 compared to \$1,401 in the prior year. Higher gold prices and production, and lower costs explain this significant improvement. This profit of \$15,946 is realized after recognizing an exploration write-off before tax of \$6,911 in the year.
- Contribution margin from operations increased to \$34,784 compared to \$12,664 last year.
- On a year to date basis, the Company generated cash from its mining operations, before working capital items, of \$29,745 compared to \$9,021 in the previous year. Increased production volumes and gold price, together with a reduction in operating costs, explains this considerable cash increase from the operation.
- The final cash balance was \$14,178 at May 31, 2011, which compares with the balance of \$8,691 at May 31, 2010.

3. OUTLOOK AND STRATEGY

- The Company's forecast production for the 2011 financial year is in the range of 57,500 to 60,000 ounces of gold at an operating cash cost per ounce of approximately \$810. This is equivalent to a total cash cost of approximately \$ 875 per ounce. While, in terms of cash costs, this is an increase compared to the current year, the Company has decided to reduce its cut-off grade for the coming year and add additional higher cost production and benefit from the contribution margin generated at current levels of gold price. While emphasis in cost control remains a priority, it is expected Arenal Deeps will start contributing to the production in early calendar 2012 with some 25% of the production of next year. Arenal Deeps is expected to contribute to reduce cash cost in the coming years.
- Production for quarter 1 of fiscal 2011/12 is expected to be in the range of 12,000 to 12,500 ounces. Variations in production and costs between quarters will occur as the mine plan is made up of different pits at different grades and stages of stripping.
- The Company's medium term objective is to grow its gold production profile in South America. The Company currently has one producing asset, San Gregorio, and it is mining from open pits. Together with the underground operations, which started development in March 2011, the Company maintains the mine life of the Uruguayan assets at five years while reducing cash costs over the life of mine period. On June 2011, the Company acquired Talca (as explained in section 4), which will add to its development and exploration assets in Chile, Pantanillo and Anillo.

4. SUBSEQUENT EVENTS

4.1 Talca Acquisition

On 9 June 2011, the Company announced it has entered into an agreement to acquire a 100% interest in the Talca gold property ("Talca") in Chile's region IV to Compañía Minera Demetrio Tello and others (the "Vendors").

Talca has been owned and operated by the Tellos family for approximately 40 years, having produced 300,000 ounces at an estimated overall average grade of approximately 13g/t gold, from a system of outcropping high grade veins. Talca is located 375km North of Santiago in Region IV of northern Chile. The 1,680 hectare properties are located 15km to the west of Ruta 5 along the Chilean Pacific coast line in the Coastal Cordillera. Talca has a historical artisanal mining history dating back 60 years. The property hosts two gold mines that have been exploited by artisanal non-mechanized mining during 2011. The principal structural control on the property is NNW trending shear zones and faults structures between 2 - 4m wide and can be traced from 4 to 8km along strike. Secondary structural control is E/W striking quartz veins ranging between 0.3 - 4m wide. Gold has been historically mined on both of these structural trends up to depths of over 250m. Grades between 10 – 20 g/t gold have been reported and visible gold is common. Other historical and currently operating mines in the district have been mined to depths of up to 600m. Although significant artisan mining has been undertaken over the years at Talca, the project has not been explored with modern technology and practices.

The Company has agreed with the Vendors to acquire 25 per cent of the issued share capital of the Talca Company for a consideration of \$3,840. The Company has also agreed with the Vendors an option to acquire the remaining 75 per cent over a period of 5 years for a further consideration of \$3,780. The final acquisition agreement is pending to be signed after approval of Talca's shareholders.

4.2 Private placement

On June 2011, the Company completed a private placement of Common Shares of the Company for gross proceeds of £8,250,726 (equivalent to \$13,394) through the issue of new common shares to both new and existing institutional shareholders and accredited investors. The Placing was being conducted through an accelerated book-building process carried out by Canaccord Genuity Limited, acting as sole manager, and sole bookrunner. The use of proceeds will be for the first payments of the Talca acquisition, its exploration program and to cover other potential additional acquisition and exploration.

5. OVERVIEW OF FINANCIAL RESULTS

5.1 Net profit

For the financial year ended May 31 2011, the Company reported a net profit \$15,946 compared to a net profit of \$1,401 for the previous year.

The contribution margin from mining operations increased from \$12,664 for 2010 to \$34,784 for 2011. This increase is mainly due to higher average gold prices and higher amount of ounces sold while operating cost have been reduced due to lower tonnes mined.

Depreciation decreased on a year to year basis from \$9,562 to \$8,219 as a result of the lower capitalized development associated to the pits mined during the current financial year.

Table 1 – Profit breakdown

	2011	2010	Ref.
	\$000's	\$000's	
Revenue	78,734	59,613	5.2
Operating expenses	(43,950)	(46,949)	5.4
Contribution margin	34,784	12,664	
Depreciation	(8,219)	(9,562)	5.5
Operating profit	26,565	3,102	
Derivative gain (loss)	(212)	355	6.5
Exploration expenses and write off	(7,929)	(614)	6.3
Corporate expenses and other	(2,422)	(2,745)	5.6
Profit before income taxes	16,002	98	
Income tax recovery (provision)	(56)	1,303	5.7
Net Profit	15,946	1,401	
Basic earnings per share	\$ 0.24	\$ 0.03	

The higher profit from the mining operation from one year to the other has been partially offset by an increase from \$614 in 2010 to \$6,911 in 2011 in capitalized exploration written off. The majority of the exploration write off relates to previous years exploration expenditure in Uruguayan projects. Detailed information can be found in section 6.3.

While operations have been profitable, income tax has been reduced due to the availability of fiscal benefits as explained in section 5.7.

5.2 Sales

Sales include gold and silver sales as shown opposite in Table 2.

Total gold sales for 2011 of \$ 76,437 related to 56,750 ounces of gold sold at an average price of \$1,347 per ounce compared to \$58,484 related to 54,904 ounces of gold sold at an average price of \$1,065 per ounce in the previous year.

Silver sales have also contributed to higher revenues when comparing to the previous year, as a result of significantly higher silver production and prices.

Table 2 - Sales composition

2011	\$ 000's	Oz	\$ per oz
Gold	76,437	56,750	1,347
Silver	2,297	85,911	27
Export refund	0		
Total Sales	78,734		
2010	\$ 000's	Oz	\$ per oz
Gold	58,484	54,904	1,065
Silver	833	50,648	16
Export refund	296		
Total Sales	59,613		

5.3 Production statistics

Table 3 - Key production statistics

	2011	2010
Ore mined (tonnes)	1,050,772	1,878,004
Grade mined (g/t Au)	1.42	1.06
Ore processed (tonnes)	1,535,467	1,531,476
Grade processed (g/t Au)	1.22	1.22
Recovery	93.4%	93.4%
Gold produced (ounces)	55,817	56,050

During the financial year ended May 31, 2011, 7,743,358 tonnes were mined in the Company's open pit operation at San Gregorio (2010 - 11,885,000), consisting of 6,692,586 tonnes of waste (2010 - 10,006,996) and 1,050,772 tonnes of ore (2010 - 1,878,004) with an average grade of 1.42 g/t (2010 - 1.06). The final strip ratio for the year was 6.3 tonnes of ore to 1 tonne of waste (2010: 5.3).

Ore is being sourced from different pits and veins with different structural characteristics and grades resulting in variability of production quarter on quarter. Quarterly production statistics are provided in Table 4.

Table 4 - Quarterly production statistics

2011	Q1	Q2	Q3	Q4	Total
Ore processed (tonnes)	369,175	373,135	405,407	387,750	1,535,467
Grade processed (g/t Au)	1.18	1.12	1.38	1.18	1.22
Recovery (%)	92.6	93.3	94.1	93.6	93.4
Gold produced (ounces)	12,937	12,576	16,573	13,731	55,817
2010					
Ore processed (tonnes)	384,195	362,416	389,139	395,726	1,531,476
Grade processed (g/t Au)	1.15	1.25	1.09	1.39	1.22
Recovery	92.9	93.6	93.5	93.6	93.4
Gold produced (ounces)	13,173	13,580	12,742	16,555	56,050

During the year 1,535,467 tons of ore were fed into the plant (2010 – 1,531,476) at an average grade of 1.22 g/t Au (2010 – 1.22 g/t Au) to produce 55,817 gold ounces (2010 – 56,050 ounces) at a 93.4% recovery (2010 – 93.4%). The Company managed to keep production at similar levels to the previous year due to similar grade and recovery of tonnes processed.

5.4 Production costs

Total operating costs were \$43,950 for the year ended May 31, 2011 compared to \$46,949 for the previous year. Cash cost per ounce was \$754 for 2011 compared to \$827 for the previous year or \$ 724 per ounce compared to \$794 when excluding royalties from the calculation (“cash operating cost”).

Table 5 reconciles operating costs to cash cost per ounce.

Table 5 - Reconciliation of Operating costs to cash cost per ounce	2011 \$ (000's)	2010 \$ (000's)
Operating expenses	43,950	46,949
Movement in non ore inventories	453	751
Export refund and silver credit	(2,297)	(1,129)
Other adjustments	0	(200)
Total cash cost (A)	42,106	46,371
Production taxes	(1,701)	(1,894)
Total cash costs before taxes (B)	40,405	44,477
Gold production in ounces (C)	55,817	56,050
Total cash cost per ounce (A)/(C)	754	827
Cash operating cost per ounce (B)/(C)	724	794

Cash cost per ounce is a non-GAAP measure which is explained in reference 12 of this MD&A document. The Company previously reported only Total Cash Costs. Given that a majority of the companies in the industry report the measure Cash Operating Costs per ounce, the Company deemed it appropriate to report both measures to facilitate comparisons.

The reduction in cash costs is a consequence of mining less tonnes at higher grades, the increased silver revenues and the costs reduction program undertaken since 2009.

Although the ore processed had a similar average grade compared to last year (1.22 g/t Au vs 1.22 g/t Au) , it is the grade of the ore mined (1.42 vs 1.06) which determines the reduction in cash costs indirectly through a higher value of the stockpile.

5.5 Depreciation

Depreciation was \$8,219 for the financial year ended May 31, 2011 compared to \$ 9,562 for the previous year. Depreciation includes straight line depreciation of fixed assets and the depreciation of mine properties based on contained ounces of gold in ore mined. Table 6 provides a breakdown of depreciation between fixed assets and mine properties.

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

Fixed assets depreciation for 2011 increased when compared to 2010 as a result of the incorporation, during the last quarter of the current financial year, of the equipment commissioned for the development of the Arenal Deeps underground operation and, additionally, the incorporation of major spare parts for replacement for the open pit mobile truck fleet. Depreciation of fixed assets is expected to increase next year when the equipment already in place for the Arenal Deeps underground project is depreciated over a complete year, and more equipment is delivered for this purpose.

Table 6 - Depreciation composition

	2011 \$000's	2010 \$000's
Fixed Assets	5,261	4,334
Mine properties	2,958	5,228
Total depreciation	8,219	9,562

Mine properties depreciation decreased as a result of the lower capitalized development costs associated to the pits mined during this year. Mine properties depreciation is expected to increase in the following year when Arenal Deeps commence production and all of its associated development costs capitalized start to be depreciated.

5.6 Corporate expenses and other gains and expenses

Corporate expenses and other gains and expenses include corporate overhead costs, stock based compensation expense, net interest and bank commissions, foreign exchange gains and losses, sales from asset disposition and other items. A breakdown of such revenues and expenses is shown in Table 7.

Corporate overheads are comprehensive of corporate administration expenses in Canada, Uruguay and Chile, listing and regulatory expenses, director's fees and the executive remuneration and associated costs. Executive salaries and benefits related to site work are shown under operating expenses.

Table 7 - Other revenues and expenses composition

	2011	2010
	\$000's	\$000's
Corporate overheads	3,742	3,039
Stock based compensation	713	407
Foreign exchange loss (gain)	2	116
Net interest loss	269	249
Other gains	(2,304)	(1,620)
Total other revenues and costs	2,422	2,745

Other gains include the profit made on the sale of assets. During 2011 the Company sold its exploration drill fleet located in Uruguay together with its auxiliary equipment and its associated inventory of spare parts and consumables generating profits of \$ 1,856. During the previous year, the Company completed the sale of the Montevideo's headquarter offices generating profits of \$ 1,124.

5.7 Income tax

An income tax provision of \$56 was recorded for the financial year ended May 31, 2011 compared to a recovery of \$1,303 for the previous year. A detailed comparison is shown in Table 8.

The composition of the future tax assets is shown in Table 9.

Table 8 - Income tax composition

	2011	2010
	\$000's	\$000's
Taxable income for the year	4,085	427
Statutory tax rate	32%	34%
Income tax at statutory tax rate	1,307	145
Effect lower effective tax rate	(284)	(38)
Current income tax loss for the year	1,023	107
Benefits not provisioned in previous year	0	(230)
Current income tax provision (recovery)	1,023	(123)
Future income tax recovery	(967)	(1,180)
Total income tax provision (recovery)	56	(1,303)

The property, plant and equipment and mine properties tax assets represent rights for future income tax deductions nominated in Uruguayan pesos that are subject to the appreciation or devaluation of the Uruguayan peso against the US dollar. Additionally, the value of the stockpile carried forward is, for tax purposes, fixed in Uruguayan pesos at the time stocks are being incorporated. The appreciation of the Uruguayan peso against the US dollar during the year ended May 2011 (one US dollar equals UY\$ 18.6 at May 31, 2011 and UY\$ 19.6 at May 31, 2010) explains a portion of the increase of the future tax assets. The other portion is explained by the fact that fixed assets are revaluated by local inflation for tax purposes, which, for 2011 resulted in an increase of 8.5% in the Uruguayan pesos base for future deduction.

Table 9 - Future tax assets composition

	2011	2010
	\$000's	\$000's
Property, plant and equipment and mineral properties	4,393	3,318
Fiscal losses	0	30
Other assets and liabilities	755	833
Future income tax asset	5,148	4,181

While accounting income before taxes was \$16,002 for 2011, only \$1,023 of current income tax was provisioned for the year, determining a 6.4% effective income tax rate. This low effective income tax rate is due to several factors, standing out the Company's applying, during the last quarter of the current financial year, Uruguayan tax incentives for its investment to develop the Arenal Deeps underground operation into its operational profit generated during the current financial year.

The Company operates in Uruguay through eleven subsidiaries and has filed an application before the tax Authority to be allowed to assess its tax obligation as an economic group. The application is likely to be approved and to be effective for the fiscal year ended May 2011, that needs to be assessed and filed by the end of September 2011. All tax calculations for the financial year ended 31 May 2011 have been made assuming that the group does not received an economic group declaration, as there is no assurance that such declaration is going to be finally granted. In the case that the Uruguayan Tax Office finally allows the Company to assess its obligation as an economic group for the financial year ended May 31, 2011, material differences may arise to current tax calculations included in the financial statements. In particular, no current income tax will be paid for financial year ended May 31, 2011 and a deferred tax asset on the carrying value of the fiscal losses of non profitable subsidiaries in Uruguay should be recognized, generating an additional estimated \$3,500 recovery in income tax to current figures shown in the financial statements.

6. FINANCIAL POSITION

6.1 Cash and other liquid resources

At May 31, 2011, OMI had cash resources of \$14,178 compared to \$8,691 at 31 May 31, 2010. Cash increased by \$5,487 during the financial year ended May 31, 2011 compared to a decrease of \$805 for the previous year.

Cash flow from operations includes the results from the San Gregorio operations less the cost of general and administrative expenses, interest and income taxes. Cash flow from the operation explains the increase in cash as a result, mainly, of increased gold price and volume sales. Cash is affected by a release of working capital of \$1,603 mainly due to an inventories reduction and a higher amount of outstanding liabilities at

the end of the financial year. Additionally \$26,078 was used for capital investment, associated mainly to the investment in Arenal Deeps project for its development and equipment required, and funds needed to continue the Company's exploration programmes.

6.2 Working capital items

As shown in Table 11, there was a release of working capital of \$1,603 in 2011 when compared to a release of \$2,654 in previous year, resulting net cash inflows from operations of \$31,348 and \$11,675 for the financial years 2011 and 2010 respectively.

Tax liabilities show an important cash outflow derived from the settlement of royalty obligation for calendar years 2009 and 2010. A liability with the Uruguayan Government for the mining royalty corresponding to calendar year 2009 was left outstanding at the end of the previous financial year while the Company discussed the parameters to apply to the calculations. Agreements on the parameters to perform the calculations were reached during the current financial year and obligations settled.

Table 10 - Cash increase (decrease)

	Reference	2011 \$000's	2010 \$000's
Cash flow from operations before working capital investment		29,745	9,021
Working capital investment	6.2	1,603	2,654
Capital expenditure	6.3	(26,078)	(12,527)
Funding	6.4	217	47
Cash increase (decrease)		5,487	(805)

Table 11 - Working capital investment

	2011 \$000's	2010 \$000's
Cash flow from operations before working capital investment	29,745	9,021
Warehouse inventories	(268)	643
Stockpile	1,448	(340)
Other production inventories	(453)	(751)
Supplier's net of prepayments	2,676	2,518
Receivables and tax credits net of tax liabilities	(1,800)	584
Total working capital investment	1,603	2,654
Cashflow from operations after working capital investment	31,348	11,675

During the current financial year the Company reduced its medium and low grade ore stockpile. Low grade ore stockpile for potential future processing is carried at zero value. High and medium ore stockpile are valued at the lower of average cost or net realizable value. The medium grade stockpiled decreased from 450,594 tonnes containing 14,815 ounces at the beginning of the financial year to 303,868 tonnes containing 10,028 ounces at the end of the financial year releasing the Company's working capital investment in production inventories.

Supplier's (net of prepayments) increased cash inflow is mainly due to the timing in the cancellation of salaries and labour benefits obligations and specific commercial liabilities with major suppliers.

6.3 Capital expenditure

Capital expenditure on property, plant and equipment and mineral properties was \$15,956 for the financial year ended May 31, 2011 compared to \$6,459 for previous year. The amount for 2011 includes, among its main components, investment related to the Arenal Deeps project including \$4,438 for development work, \$4,808 in mobile equipment and \$994 in general equipment and surface facilities, \$1,898 incurred in the construction of the new tailings dam facility and \$1,365 on the environmental restoration of the old tailings facility.

Cash exploration expenditure was \$11,342 for the financial year ended May 31, 2011 compared to \$8,785 for the previous year. See Table 12 for details.

During the financial year ended May 31, 2011 \$6,911 of expenses were written off compared to \$614 in previous year. Expenses written off are related to capitalized exploration expenditure attributed to certain specific projects that management determined to be impaired as substantive expenditure or further exploration in those areas is neither budgeted nor planned, despite the fact that the Company continues to keep tenure of mining titles and projects are not yet discarded. Main projects impaired are Lascano (\$4,411), Nueva Australia and Perú in the western side of the Isla Cristalina (IC) in Uruguay (\$1,290), Areicua, Laureles and Cerro Papagayo in the central zone of the IC (\$225), and projects in the Cuchilla Dionisio and Arroyo Grande Belt in Uruguay (\$477). Capitalized exploration and evaluation expenditure for \$3,561 (2010 \$6,224) were reclassified to mineral properties as these expenditures relate to areas in which a mineral resource was determined. The amount transferred is related mainly to resource definition work for Zapucay, Argentinita, Sobresaliente, Santa Teresa, Ombu, Picaflor and Castrillon pits in Uruguay.

Project Area	Uruguay – Isla Cristalina	Uruguay - Other	Chile	Total
Opening Balance – May 2010	2,107	9,767	12,976	24,850
Cash expenditure	4,562	411	6,369	11,342
Non cash expenditure	0	0	(58)	(58)
Transfer to Mine properties	(3,561)	0	0	(3,561)
Write off	(1,861)	(5,050)	0	(6,911)
Closing balance – May 2011	1,247	5,128	19,287	25,662

6.4 Funding

Funding proceeds for the Company during the financial year ended May 31, 2011 were related to the issue of share capital for the exercise of stock options. 444,462 (2010 – 362,720) options were exercised and converted into ordinary shares providing cash inflows of \$236 (2010 - \$50).

As at May 31, 2011, the Company had 3,822,886 (2010 - 2,749,850) outstanding stock options at a weighted average exercise price of CDN\$1.29 (2010 – CDN\$2.04), of which 2,312,429 (2010 - 1,882,517) were vested at a weighted average exercise price of CDN\$1.64 (2010 – CDN\$2.52).

During the current financial year the Company entered into a Line of Credit Facility with HSBC Bank (Uruguay) S.A. for \$5,500 to fund Arenal Deeps project operation complementing cash from operations. The facility has a scheduled duration of 3 years at an annual LIBOR plus 3.25% rate with a 4.50% minimum rate and a commitment commission of an annual 1.25% over balances not withdrawn. As of May 31, 2011 the Company has not yet used to the credit facility.

During the current and previous financial year no dividends were declared or paid.

As stated in 4.2 “Subsequent events” of this MD&A document, on June 2011, the Company completed a private placement of Common Shares of the Company for gross proceeds of £8,250,726 (equivalent to \$13,394). As of the date of this MD&A document the Company has 77,740,988 shares issued and outstanding.

6.5 Financial instruments

The Company does not enter into financial instruments for trading or speculative purposes. Currently, the Company has no hedge instruments in place. Consequently, the Company is now fully exposed to the gold price. During May 2010, the Company purchased 14,000 put options for quarter ending 31 August 2010 at a strike price of \$1,165 per ounce, \$75 below the spot price at the time the options were purchased, for a premium of \$212 (or \$15 per ounce hedged).

6.6 Contractual obligations and commitments

The Company’s contractual obligations and commitments are as follows

	Total	Less than 1 Year	1-2 Years	2-3 years	3-4 years	More than 4 Years
Bank debt	14	14	0	0	0	0
Asset Retirement Obligations	2,942	1,070	755	115	123	879
Total	2,956	1,084	755	115	123	879

Commitments derived from exploration farm in and out and acquisitions agreements are disclosed in Note 6 of our Financial Statements. Additionally to those, the Company has the following future commitments in the case it wants to continue with its option agreements in its Chilean exploration projects:

i) For the Pantanillo property, the Company has to pay to Anglo American Norte SA, a subsidiary of Anglo American plc, \$300 by September 2011 and \$300 on the definitive sale of the property. It will need to complete an additional minimum exploration expenditure of \$2,000 and 6,000 drilled meters by September 2012.

ii) For the Anillo property, the Company will have to complete a minimum exploration expenditure of \$1,100 by September 2012 and an additional \$1,000 by September 2013.

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

7. QUARTERLY RESULTS

	Qtr 1 Aug 2009	Qtr 2 Nov 2009	Qtr 3 Feb 2010	Qtr 4 May 2010	Qtr 1 Aug 2010	Qtr 2 Nov 2010	Qtr 3 Feb 2011	Qtr 4 May 2011
Gold sold (ounces)	13,188	13,678	11,662	16,376	14,722	11,853	15,300	14,875
Average sales price (\$/oz)	912	1,065	1,110	1,157	1,216	1,332	1,368	1,466
Cash operating cost (\$/oz)	863	857	939	579	799	777	483	893
Total Cash cost (\$/oz)	880	871	984	629	839	790	521	924
Operating revenues	12,498	14,811	13,152	19,152	18,213	16,584	21,618	22,319
Operating expenses	(11,861)	(12,355)	(12,173)	(10,560)	(11,884)	(9,897)	(9,294)	(12,875)
Contribution Margin	637	2,456	979	8,592	6,329	6,687	12,324	9,444
Administration expenses	(838)	(1,074)	(1,003)	(1,085)	(797)	(1,437)	(1,137)	(1,320)
Amortization and depletion	(2,593)	(3,044)	(2,228)	(1,697)	(1,480)	(2,135)	(2,016)	(2,588)
Fair value of derivatives	464	0	0	(109)	(212)	0	0	0
Exploration expenses	0	(371)	(11)	(232)	(317)	0	(2,563)	(4,813)
Net interest and accretion of retirement obligation	(71)	(76)	(43)	(59)	(15)	(57)	(89)	(108)
Foreign exchange gain (loss)	(17)	6	(73)	(32)	260	(109)	(28)	(125)
Other income	252	1,199	33	136	275	131	1,633	265
Income Tax	8	1,580	(574)	289	(533)	(398)	(1,838)	2,713
Net income (loss) for the period	(2,158)	676	(2,920)	5,803	3,510	2,682	6,286	3,468
Basic earnings per share	(0.08)	0.014	(0.05)	0.09	0.05	0.04	0.10	0.05
Cash flow from operations	2,659	2,125	1,108	5,783	5,307	6,526	8,261	11,254
Cash from (used for) financing	(21)	(9)	34	76	(3)	121	92	7
Cash invested	(3,976)	(883)	(3,383)	(4,285)	(3,249)	(3,454)	(6,961)	(12,414)
Cash on hand	8,158	9,391	7,150	8,691	10,746	13,939	15,331	14,178
Total Assets	62,665	65,044	70,857	78,331	78,764	82,985	92,455	96,047
Shareholders Equity	50,485	51,371	56,176	62,060	65,629	68,800	75,347	78,955

8. RISKS AND UNCERTAINTIES

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

The principal risks are considered to be those set out below.

Sensitivity to commodity prices and foreign exchange rates

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

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

Key Personnel Risks

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

Exploration, Mining and Operational Risks

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

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

The nature of resource and reserve quantification studies means that there can be no guarantee that estimates of quantities and grades of minerals will be available to extract. The figures for reserves and resources estimates are determined in accordance with National Instrument 43-101, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and resources

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

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

Title Risks

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

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

Political and Economic Risks

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

9. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Economic lives of mining assets and recoverable value

The economic lives of the Company's mining operation and development assets is based upon the individual mine's mineral reserves. The Company's resources and reserves are calculated in accordance with mining standards and in compliance with NI 43-101 requirements. The Company reviews and re-evaluates the estimated future discounted net cash flows of its mines and development properties on a regular basis, to ensure that they exceed the carrying value for each property. These calculations rely on estimated reserves and/or resources, estimated future commodity price and production cost.

Inventory

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

Asset retirement obligation

The fair value of the liability is determined based on the net present value of estimated future costs estimated by management based on feasibility and engineering studies on a site by site basis. While care was taken to estimate the retirement obligations, these amounts are estimates of expenditures that are not due until future years.

Share based compensation

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

Net future income tax assets and liabilities

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

Exploration and evaluation expenditure

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

10. CHANGES IN ACCOUNTING POLICIES

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian public entities will have to adopt IFRS effective for the fiscal years beginning on or after January 1, 2011. The Company will issue consolidated financial statements in accordance with IFRS commencing the first quarter ending August 31, 2011, with comparative information. The process will be ongoing as new standards and recommendations are issued by the International Accounting Standards Board and AcSB. The Company will cease to prepare its consolidated financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook - Accounting ("Canadian GAAP") for the periods beginning on June 1, 2011 when it will start to apply International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board. Consequently,

future accounting changes to Canadian GAAP are not discussed in these consolidated financial statements as they will not be applied by the Company. The Company's IFRS implementation plans are commented in section 13.

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

Disclosure Controls and Procedures

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

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

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

Internal Controls over Financial Reporting

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

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

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

12. NON GAAP MEASURES

Cash flow from operations, contribution margin and cash cost per ounce are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non GAAP measures. Therefore these measures may not be comparable to similar measures presented by other issuers. These measures have been presented in this MD&A as additional information regarding the Company's financial performance and financial position.

Cash flow from operations is calculated by adding back non-cash items to net earnings. Contribution margin has been calculated by deducting operating expenses from sales. Operating expenses include movements in inventories but exclude operating amortization and depletion.

Total Cash cost per ounce are determined according to the Gold Institute Standard and consist of site costs for all mining, processing, administration, royalties, refining charges, silver credits and inventory adjustments relating to metal production. Capital expenditure, depletion and amortization, corporate costs and financing costs are not included. Cash operating costs are calculated by deducting royalties and capital gains tax from total cash costs. The Company previously reported only Total cash costs. Given that a majority of companies in the industry report the measure Cash operating costs per ounce, the Company deemed it appropriate to report both measures to facilitate comparisons.

13. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's interim and annual financial statements relating to the fiscal year ending May 31, 2012 will include IFRS-compliant financial statements. The transition date of June 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended May 31, 2011.

Project Status

In 2010, the Company started an IFRS diagnostic study with a view to assessing the main areas expected to be impacted through the transition to IFRS on the Company's accounting policies and to establish a project plan to implement IFRS.

During the current fiscal year, a number of key accounting areas where IFRS differs from current accounting policies and accounting alternatives in those and other key accounting areas have been identified and reviewed. The Company performed a detailed assessment of the financial statement impact areas during transition to IFRS. The transition matters relating to financial accounting policy decisions are as follows:

- o Optional exemptions
- o Stock based compensation
- o Asset retirement obligations
- o Taxation
- o Foreign currency translation
- o Exploration and evaluation assets
- o Property, plant and equipment

The Company is currently in the process of quantifying the impact of any identified GAAP differences. This process will coincide with the determination of IFRS transition adjustments in order to construct the first set of fully compliant IFRS interim financial statements for the quarter ending August 31, 2011.

Other impacts of adopting IFRS

As part of the analysis of transition differences, the Company is assessing the related impact to internal control over financial reporting, as well as disclosure controls and procedures. Although no significant changes are expected, management will continue to monitor this area and update the control environment if needed. The Company believes that the accounting systems and related information technology environment can accommodate any necessary changes as a result of the transition.

The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan. This has included an evaluation of the significant decisions and key aspects of the project to date.

14. FORWARD LOOKING STATEMENTS

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