



**Management Discussion & Analysis
for the three and six month periods ended November 30, 2011**

Prepared as at: January 10, 2012

Management's discussion and analysis ("MD&A") provides a discussion of Orosur Mining Inc.'s (Orosur or the Company) financial and operating results for the three and the six month period ended November 30, 2011 with comparisons to previous periods.

This MD&A accompanies, and should be read in conjunction with, the unaudited condensed interim consolidated financial statements and selected explanatory notes of the Company for the three and six month periods ended November 30, 2011 and 2010. All amounts are expressed in thousands of US dollars, unless otherwise indicated. The reader should also refer to the audited consolidated financial statements for the two years ended May 31, 2011 and 2010 and the related MD&A, both of which are available on SEDAR at www.sedar.com. The Company's condensed interim consolidated financial statements and the financial data presented in this document have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is effective as of January 10, 2012.

1. DESCRIPTION OF BUSINESS

Orosur 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 calendar year 2011, 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 started in January 2012 and is to be carried out concurrently with development. The underground operation is expected to extend the mine life at San Gregorio and enhance 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 completed its initial NI 43-101 resource statement, with a medium term objective of developing 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. Additionally, the Company acquired the Talca exploration asset located close to La Serena, north of Santiago in Chile, a property that hosts two gold mines that have been exploited by artisan (non-mechanized) mining.

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 mineral opportunities in its portfolio, other than gold, through joint ventures and farm-out agreements.

2. HIGHLIGHTS

Financial and operational highlights for the quarter period ended November 30, 2011 include:

- Production for the quarter was 11,916 ounces of gold which is 5.5 per cent lower than the corresponding quarter of the previous year of 12,576 ounces. This production level is below the Company's expectations of 12,750 to 13,250 ounces for the quarter. This shortfall was mainly due to the lower than planned head grade fed to the mill. This in turn was due to the delay in receiving the permission to commence stoping at the Arenal Deeps mine from the Uruguayan mines department DINAMIGE. Arenal Deeps is planned to contribute higher grade ore (average of 2.87 g/t over its LOM) than what is currently being mined from the open pits. A permit to stope the first two levels was received in December 19th 2011, approximately 6 weeks behind schedule, and stoping commenced immediately after that date.
- Cash operating cost for the quarter was \$1,007 per ounce of gold which was above expectations due to lower production levels. The increase when compared to the prior year cost of \$778 per ounce of gold was mainly attributable to the lower grade of ore mined and increased costs due to inflation in Uruguay and transportation costs as in this quarter the Company has been mining from satellite pits (Argentinita and Sobresaliente) further away from the San Gregorio plant. The grade processed for the quarter was 9 per cent lower than the corresponding quarter of the previous financial year. The realized gold price was \$1,717 per ounce for the quarter compared to \$1,332 per ounce for the same quarter last year.
- The after-tax profit for the quarter is \$2,565 compared to \$2,784 same quarter in the prior year. Higher prices, lower production and higher costs and taxes are the main variances.
- Cash flow generated by operations before working capital was \$4,651 for the quarter (Q2 10/11 - \$5,100). The Company invested \$9,266 in capital and \$4,515 in exploration for the quarter compared to \$1,592 and \$1,862 respectively in Q2 10/11.
- Orosur's cash position at the end of the quarter was \$17,054 with net working capital (current assets less current liabilities including cash) of \$22,736.
- The Company is on target and good progress has been made at the Arenal Deeps underground mine development, with 1,388 meters of decline and access development along with 446 meters ore development being completed to the end of November 2011, which is in line with the Company's budget. An entire new mining fleet has been ordered and all of the key equipment items for mine development and stoping have been commissioned. After the main ventilation shaft broke through to surface associated civil works were completed and the main fans commissioned in the first half of December 2011.

- On September 14, 2011, a new law was passed introducing amendments to the current Uruguayan Mining Code. The most significant amendment was the change in the production royalty. The production royalty for metallic mineral substances shall be a 5% of the sale value compared to the previous royalty which was 5% to 8% of the mouth of mine value of the ore. The Company estimates the royalty for this financial year will be about \$3,500 which is around double the amount when compared to the previous regime.
- At Talca, after primary geophysics, mapping, surface and underground sampling were completed, drilling commenced at the end of September 2011 with an initial 5,300m combined RC and diamond drill campaign planned to drill test the strike length of the historically worked Metalera Fault system and the Niebla vein. This first pass campaign was designed to locate mineralized sections along the ~4 Km long Metalera Fault and to try and confirm the depth continuation of the Niebla vein. The most significant results from the first pass drilling campaign in 2011 are 6m @ 0.64 g/t Au in Talca-11-03DDH and 3m @ 1.1 g/t Au in Talca-11-10RC.
- The Company announced on January 12, 2012 that AMEC has finalized a preliminary economic assessment of the Pantanillo project. The financial analysis was undertaken considering a gold price of \$1,200 per ounce. The resulting NPV at 8% amounts to \$32,2 million, based on a discounted capex for the Project of \$167 million.
- The Company announced on November 9, 2011 that the Consortium made up of Orosur and the LUMAX S.A. received a water exploration permit from the Chilean Water authority DGA for its Pantanillo Project in Chile.

3. OUTLOOK AND STRATEGY

- Despite a shortfall in the current quarter's production, the Company's forecast gold production for the 2011/2012 financial year remains in the range of 57,500 to 60,000 ounces at an operating cash cost per ounce of approximately \$810 per ounce.
- Production is forecast to increase in the second half of the year as Arenal Deepes starts contributing to output and planned additional higher grade ore is accessed from open pit sources. Variations in production and costs will occur each quarter as the mine plan draws ore from several pits at different grades and stages of stripping and the company plans to achieve its production and cost targets over the course of the year.
- At Talca, a lack of significant intercepts from the hitherto unexplored and unmined northern section of the Metalera Fault and along undeveloped segments of the Niebla vein has reinforced the plan to concentrate the next round of drilling in early 2012 down dip around the previously worked sections of the Metalera, especially in the central zone and in Sector Sur, as well as down dip from previously worked splay veins off the Metalera. Historically these areas were reported as producing the greatest volume of ore and highest grade gold.

4. OVERVIEW OF FINANCIAL RESULTS

4.1 Profit after taxes

Contribution margin from mining operations went from \$6,687 to \$7,222 and from \$13,016 to \$15,228 in the three and six month periods ended November 30, 2011 and 2010 respectively.

The increase in Contribution margin is explained by a higher average gold price partially offset by fewer gold ounces sold and increased operating costs.

Amortization remains at similar levels when compared to the previous year, but this is expected to increase when Arenal Deeps operation commences commercial production and its associated development costs start to be depreciated.

Table 1 - Profit after taxes

	Ref.	Q 2 11/12	Q2 10/11	YTD 11/12	YTD 10/11
		\$000's	\$000's	\$000's	\$000's
Sales	4.2	20,985	16,584	42,011	34,797
Operating expenses	4.3	(13,763)	(9,897)	(26,783)	(21,781)
Contribution Margin		7,222	6,687	15,228	13,016
Amortization	4.5	(1,990)	(2,135)	(3,990)	(3,615)
Operating profit		5,232	4,552	11,238	9,401
Derivatives loss	5.6	0	0	0	(212)
Exploration expenses	5.3	(260)	0	(686)	(317)
Corporate expenses	4.6	(1,296)	(1,388)	(2,477)	(2,178)
Others	4.6	659	18	790	547
Profit before taxes		4,335	3,182	8,865	7,241
Income tax provision	4.7	(1,770)	(398)	(1,888)	(931)
Net profit		2,565	2,784	6,977	6,310
Basic earnings per share		0.03	0.04	0.09	0.10

The Company's exploration expenses relate to costs associated with the evaluation for the acquisition of different mining assets throughout Latin America.

Provision for income taxes increased when comparing the three and six month periods ending November 30, 2011 and 2010. This is a result of higher profitability at the Uruguayan operations. However, the Company is awaiting the final evaluation of the tax benefits to be granted by the Uruguayan Government for the investment to develop the underground operation. Until a final decision is made on these benefits, the Company is using a conservative approach to its estimate of income tax provision.

The Company's net profit remains similar to last year at \$2,565 compared to \$2,784 and at \$6,977 compared to \$6,310 in the three and six month periods ended November 30, 2011 and 2010 respectively.

4.2 Operating revenues

Sales include gold and silver as shown in Table 2.

Total sales of gold for the quarter were \$20,157 from 11,740 ounces of gold sold at an average price of \$1,717 per ounce. This compares to \$15,783 for the quarter of the previous year with 11,853 ounces of gold sold at an average price of \$1,332 per ounce. The increase in gold price explains the overall increase in gold revenues.

For the six month period ended November 30, 2011 total gold sales were \$40,449 from 24,324 ounces of gold at an average price of \$1,663 per ounce compared to \$33,688 from 26,575 ounces of gold at an average price of \$1,268 per ounce for the corresponding period of the previous year. On a year to date basis, the increase in gold price was enough to increase the Company's revenue and cover the lower amount of ounces sold.

Silver sales have also contributed to higher revenues for the three and six month period ended November 30 2011 when compared to same periods of the previous year, as a result of higher silver prices.

4.3 Production statistics

Key production statistics are shown in Table 3 below. During the quarter, 1,658,484 tonnes were mined (Q2 10/11 – 2,272,748 tonnes), comprising 1,426,414 tonnes of waste (Q2 10/11 – 2,026,766 tonnes) and 232,070 tonnes of ore (Q2 10/11 – 245,982 tonnes) with an average grade of 1.25 g/t (Q2 10/11 – 1.37 g/t), to reflect an average strip ratio of 6.1 tonnes of waste to one tonne of ore (Q2 10/11 – 8:2).

On a year-to-date basis, some 3,550,830 tonnes were mined (YTD 10/11 – 4,193,929 tonnes) comprising 2,994,208 tonnes of waste (YTD 10/11 – 3,824,962 tonnes) and 556,622 tonnes of ore (YTD 10/11 – 368,967 tonnes) with an average grade of 1.13 g/t (YTD 10/11 – 1.13 g/t), which corresponds to a strip ratio of 5.4 tonnes of waste to one tonne of ore (YTD 10/11 – 10.4). Ore mined has been sourced from several veins and pits at different stripping stages.

Table 2 - Sales composition

Q2 – 11/12	\$000's	Oz	\$ per oz
Gold	20,157	11,740	1,717
Silver	828	25,331	33
Total Sales	20,985		

Q 2 – 10/11	\$000's		
Gold	15,783	11,853	1,332
Silver	801	33,519	24
Total Sales	16,584		

Year to date – 11/12			
Gold	40,449	24,324	1,663
Silver	1,562	43,414	36
Total Sales	42,011		

Year to date – 10/11			
Gold	33,688	26,575	1,268
Silver	1,109	48,783	23
Total Sales	34,797		

Orosur Mining Inc.
Management's Discussion and Analysis
November 30, 2011
(Unaudited)

(Thousands of United States Dollars, except where indicated)

During the quarter 391,686 tonnes of ore (Q2 10/11 – 373,135) were processed by the plant at an average grade of 1.02 g/t (Q2 10/11 – 1.12 g/t) to produce 11,916 ounces of gold (Q2 10/11 – 12,576 ounces) with a 92.6% recovery (Q2 10/11 – 93.3%). On a year to date basis 806,423 tonnes of ore (YTD 10/11 – 742,310) were fed to the plant at an average grade of 1.02 g/t (Q2 10/11 – 1.15 g/t) to produce 24,404 ounces of gold (Q2 10/11 – 25,513 ounces) with a 92.7% recovery (Q2 10/11 – 92.9%). A lower

head grade of ore processed resulted in the gold production reduction for the quarter when compared to the corresponding quarter of the previous year. On a year to date basis, a gold production reduction is also shown as a result of lower head grade processed partially offset by a higher amount of tonnes of ore fed into the plant. Table 4 summarizes quarterly gold production statistics.

Table 3 – Key production statistics		Q2 11/12	Q2 10/11	YTD 11/12	YTD 10/11
Waste	tons (000's)	1,426	2,027	2,994	3,825
Ore	tons (000's)	232	246	557	369
Total mined	tons (000's)	1,658	2,273	3,551	4,194
Grade mined	Grams / tons Au	1.25	1.37	1.13	1.60
Strip ratio	Waste / Ore	6.1	8.2	5.4	10.4
Ore processed	tons (000's)	392	373	806	742
Grade processed	tons (000's)	1.02	1.12	1.02	1.15
Recovery	%	92.6	93.3	92.7	92.9
Gold produced	Ounces	11,916	12,576	24,404	25,513

Table 4 - Production statistics

	Q3 Feb-10	Q4 May-10	Q1 Aug-10	Q2 Nov-10	Q3 Feb-11	Q4 May-11	Q1 Aug-11	Q2 Nov-11
Ore processed (tonnes)	389,139	395,726	369,175	373,135	405,407	387,750	414,737	391,686
Grade processed (g/t Au)	1.09	1.39	1.18	1.12	1.38	1.18	1.01	1.02
Recovery (%)	93.5	93.6	92.6	93.3	94.1	93.6	92.7	92.6
Gold produced (ounces)	12,742	16,555	12,937	12,576	16,573	13,731	12,488	11,916

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

4.4 Operating expenses

Total operating costs were \$13,763 for the quarter equivalent to cash operating cost per ounce of \$1,007, compared to \$9,897 and \$778 per ounce for the corresponding quarter of the previous year. For the six month period ended November 30, 2011, total operating costs were \$26,783 equivalent to cash operating cost per ounce of \$975 compared to \$21,781 and a cash cost per ounce of \$789 for the corresponding period of previous year. Table 5 reconciles operating costs to cash cost per ounce. Cash cost is a non – GAAP measure which is explained in section 10 of this MD&A document.

Orosur Mining Inc.
Management's Discussion and Analysis
November 30, 2011
(Unaudited)

(Thousands of United States Dollars, except where indicated)

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

	Q2 11/12 \$000's	Q2 10/11 \$000's	YTD 11/12 \$000's	YTD 10/11 \$000's
Operating expenses	13,763	9,897	26,783	21,781
Movement in non ore inventories	95	758	358	(46)
Export refund and silver credits.	(828)	(801)	(1,562)	(1,109)
Other adjustments	0	82	(111)	163
Total cash costs (A)	13,030	9,936	25,468	20,789
Production taxes	(1,044)	(150)	(1,689)	(647)
Total cash costs before taxes (B)	11,986	9,786	23,779	20,142
Gold production in ounces (C)	11,916	12,576	24,404	25,513
Total cash costs per ounce (A)/(C)	1,094	790	1,044	815
Cash operating cost per ounce (B)/(C)	1,007	778	975	789

Cash operating cost for the quarter was \$1,007 per ounce of gold which was above expectations and due to lower gold production levels. The increase when compared to the corresponding quarter of the prior year cost of \$778 per ounce of gold was mainly attributable to the lower grade of ore mined and increased costs due to inflation in Uruguay as well as increased transportation costs from mining at satellite pits (Argentinita and Sobresaliente) located further away from the San Gregorio plant. The grade processed for the quarter was 9 per cent lower than the corresponding

quarter of the previous financial year.

On September 14, 2011, a new law was passed introducing amendments to the current Uruguayan Mining Code. The law was published on November 4, 2011 and changed the production royalty for metallic and non-metallic substances. The new production royalty for metallic mineral substances will be a 5% (3% for the State, 2% for the landowner) of the FOB value of the exported ore. The previous royalty was 5% to 8% of the mouth of mine value of the ore (i.e. it allowed for a deduction of the ore processing and transportation costs). Depending on the value of that deduction, this means at current gold prices, that the royalty payment will be approximately doubled. The Company estimates the royalty to be paid for this financial year will be in the order of \$3,500. The effective date of the new royalty rates is not explicitly stated in the amendment and it is subject to further rulings. The Company is taking a prudent approach and recognized the new royalty rates in this quarter.

Cash operating costs reconciliation (\$/oz)

Q2 10/11	778
Lower grade processed	90
Uruguay's inflation	40
Transport costs to satellite pits	125
Lower strip ratio	(100)
Contractor margin vs own fleet	40
Other (including satellite pits higher extraction costs)	34
Q2 11/12	1,007

Orosur Mining Inc.
Management's Discussion and Analysis
November 30, 2011
(Unaudited)

(Thousands of United States Dollars, except where indicated)

4.5 Amortization

Amortization expense was \$1,980 for the current quarter compared to \$2,135 in the corresponding quarter of the prior year. For the six month period ended November 2011, amortization expense was \$3,980 compared to \$3,615.

Table 6 - Amortization composition

	Q 2 11/12	Q2 10/11	YTD 11/12	YTD 10/11
	\$000's	\$000's	\$000's	\$000's
Fixed Assets	1,326	1,521	2,753	2,736
Rehabilitation provision	50	0	101	0
Mine properties	604	614	1,126	879
Total depreciation	1,980	2,135	3,980	3,615

Amortization includes straight line depreciation of fixed assets, the depreciation of mine properties based on contained ounces of gold in ore mined and the depreciation of the rehabilitation cost estimation. Table 6 provides a breakdown of depreciation.

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

Depreciation of fixed assets is expected to increase as more equipment for the Arenal Deeps operation is put in place. Mine properties depreciation is dependent upon the capitalized costs attributed to pits in production. Mine properties is expected also to increase considerably when Arenal Deeps commences commercial production and all of its associated development costs capitalized start to be depreciated in following quarters.

4.6 Corporate expenses and other gains and expenses

Corporate expenses include corporate overhead costs and stock based compensation expense. Other gains and expenses include financing interest, foreign exchange gains and losses, sales from assets disposition and other miscellaneous items. A breakdown of those revenues and expenses are shown in Table 7.

Table 7 - Corporate expenses and other gains and expenses composition

	Q2 11/12	Q2 10/11	YTD 11/12	YTD 10/11
	\$000's	\$000's	\$000's	\$000's
Corporate overheads	1,206	1,075	2,261	1,813
Stock based compensation	90	313	216	365
Total corporate expenses	1,296	1,388	2,477	2,178
Foreign exchange loss (gain)	(95)	109	(138)	(151)
Interest expense and accretion	60	4	90	10
Other income	(624)	(131)	(742)	(406)
Total Others loss (gain)	(659)	(18)	(790)	(547)

Orosur Mining Inc.
Management's Discussion and Analysis
November 30, 2011
(Unaudited)

(Thousands of United States Dollars, except where indicated)

Corporate overheads are comprehensive of corporate administration expenses in Canada, Uruguay and Chile, holding structure costs, listing and regulatory expenses, director's fees, executive remuneration and associated costs related to corporate work to develop the business. Executive salaries and benefits related to site work are shown under operating expenses. Corporate overheads increased compared to last year with the set-up of the new corporate office in Santiago de Chile an in general increase of corporate activity to develop the business.

Interest expense includes the accrued interest derived from the credit line facility with HSBC Bank withdrawn during the current financial period. Other income during the quarter includes the profit for the sale of surplus land at the mining site per \$488.

4.7 Taxes

Table 8 shows a breakdown of income tax between current and deferred. Income tax for the quarter ended November 30' 2011 resulted in a provision for \$1,770 compared to a net provision of \$398 for the same quarter of the previous year. For the six month period ended November 30, 2011 the Company booked a net provision of \$1,888 compared to provision of \$931 for the same period of the previous year.

Higher taxes are a direct result of higher profits from the Uruguayan operations. On the other hand, the Company has filed before the Uruguayan Government, and under the Uruguayan Tax Law, an application for tax benefits for its investment to develop the underground operations. The application is still being analysed by the Uruguayan Government to determine the amount of tax benefits applicable, including an income tax reduction. The Company has maintained a prudent approach in its income tax estimation by not computing any amount and is awaiting a final tax benefit determination by the Uruguayan Government to recognize it.

Table 8 - Current and deferred income tax

	Q2	Q2	YTD	YTD
	11/12	10/11	11/12	10/11
	\$000's	\$000's	\$000's	\$000's
Profit before taxes	4,335	3,182	8,865	7,241
Current income tax provision	(1,173)	(548)	(2,265)	(665)
Future income tax recovery (provision)	(597)	150	377	(266)
Profit after taxes	2,565	2,784	6,977	6,310

The Company, which operates in Uruguay through eleven subsidiaries, filed an application with the Tax Authority to assess

its tax obligations as one economic group. On December 27, 2011, the Tax Authority passed a Resolution and notified its approval to treat the companies as one economic group, effective for the fiscal year ended May 31, 2011. The Company is currently in the process of reassessing its tax provisions for the previous and the current financial year. The official consent is applicable to the income and capital tax assessed as from May 31, 2011, and in that sense it will allow the deduction of the Lascano write-off in the economic group. That will have to be re-assessed with the investment benefits related to Arenal. The effects of this change will be recognised in Q3 2011/12, the period in which the consent has been received.

5. LIQUIDITY AND FINANCIAL POSITION

5.1 Cash

Table 9 shows the main cash movements.

Table 9 - Cash increase (decrease)

	Reference	Q2 11/12	Q2 10/11	YTD 11/12	YTD 10/11
		\$000's	\$000's	\$000's	\$000's
Cash increased (decreased) by \$(3,232) and \$2,876 for the three and six month period ended November 30, 2011 compared to \$3,193 and \$5,248 for the same periods of the previous year. The final cash balance was \$17,054 at November 30, 2011 compared to \$13,939 at November 30, 2010.					
Cash flow from operations before working capital investment		4,651	5,100	10,223	10,510
Working capital release	5.2	4,674	1,426	3,228	1,323
Exploration investment	5.3	(4,515)	(1,862)	(8,831)	(4,117)
Capital expenditure net of assets sales	5.3	(9,266)	(1,592)	(18,177)	(2,586)
Funding	5.4	1,224	121	16,433	118
Cash increase (decrease)		(3,232)	3,193	2,876	5,248
Cash at beginning of the period		20,286	10,746	14,178	8,691
Cash at the end of the period		17,054	13,939	17,054	13,939

Cash flow from operations

includes the result from the San Gregorio operation less the cost of general and administrative expenses, exploration expenditure that cannot be capitalized, interest and income taxes. During the quarter ended November 30, 2011, the Company generated \$4,651 from its operations compared to \$5,100 for the corresponding quarter of the previous year. On a year to date basis, the Company generated \$10,223 cash from its operations compared to \$10,510 in the corresponding period of the previous year.

Cash increased with the private placement of shares and bank external funding mainly used to support, together with cash generated from the operation, the development of the underground operation in Uruguay and payments for the Talca mining property acquired recently in Chile.

Working capital shows cash contribution during the three and six month period ended November 30, 2011 in compared to same period from previous year mainly related to the timing in the cancellation of mining royalties and specific commercial liabilities with major suppliers.

5.2 Working capital items

As shown in Table 10, during the three and six month periods ended November 30, 2011, \$4,674 and \$3,228 respectively of working capital was released compared to a working capital release of \$1,426 and \$1,323 respectively for the corresponding periods of the previous year.

Table 10 - Working capital movements

	Q2 11/12	Q2 10/11	YTD 11/12	YTD 10/11
	\$000's	\$000's	\$000's	\$000's
Cash flow from operations before working capital investment	4,651	5,100	10,223	10,510
Warehouse inventories	(512)	316	(1,444)	947
Stockpile	238	(61)	1,656	968
Other production inventories	(94)	(757)	(358)	46
Supplier's net of prepayments	5,574	1,379	3,000	(1,716)
Tax credits and other receivables	(532)	549	374	1,078
Total working capital movements	4,674	1,426	3,228	1,323
Cash flow from operations after working capital investment	9,325	6,526	13,451	11,833

During the quarter, the

Company continued processing stockpiles to support plant feed from open pit operations. The Company has already released year to date \$1,656 previously invested in stockpiled ore to be processed (Q2 11/10 - \$968). Warehouse inventories show a working capital investment of \$512 and \$1,444 for the three and six month periods ended November 30, 2011 (compared to a release of \$316 and \$947 for the corresponding periods of the previous year). The investment is mainly related to consumables to be used in the ramp, laterals and ventilation of the new underground operation, while the previous year showed a release related to spare parts and consumables that were sold together with the Company's drill rig fleet.

Supplier's contribution to cash position is related mainly to the timing in the cancellation of specific commercial liabilities with major suppliers.

5.3 Capital Expenditure

Capital expenditure on property, plant and equipment and mineral properties for the quarter was \$9,266 compared to \$1,592 for the corresponding quarter of the prior year, and \$18,177 for the half compared to \$2,586 in the corresponding half of the prior financial year. The difference is mainly explained by the development of the Arenal Deeps Underground operation, including development work performed to build the ramp, mobile equipment and general support equipment and infrastructure.

Orosur Mining Inc.
Management's Discussion and Analysis
November 30, 2011
(Unaudited)

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Cash exploration expenditure was \$4,515 for the quarter compared to \$1,862 in the corresponding quarter of the previous year. Exploration expenditure for the quarter includes cash payments for \$1,340 for the acquisition of the mining rights in the Talca properties. Total cash payments year to date for the Talca acquisition arises to \$2,570. The Company has already started and exploration programme in Talca. The rest of the exploration expenditure was done in the Pantanillo, Anillo and Incahuasi projects in Chile and in resource definition work to support production in the Isla Cristalina of Uruguay.

During the quarter the Company expensed \$260 (Q2 11/10 nil) in exploration expenses to evaluate the acquisition of different mining projects and to maintain certain mining permits.

Table 11 – Exploration by area	Uruguay	Chile	Acquisitions in Latin America	Total
Capitalized expenditure				
Initial balance May 2011	6,375	17,513	0	23,888
Cash expenditure	2,515	3,748	0	6,263
Cash acquisitions	0	2,570	0	2,570
Financed acquisition	0	882	0	882
Share based payments	0	250	0	250
Write off	0	0	0	0
Transfer to mine properties	(3,739)	0	0	(3,739)
Final Balance November 2011	5,151	24,963	0	30,114
Non capitalized expenditure	381	0	305	686

5.4 Funding

In June 2011 the Company completed a private placement of 12,501,100 common shares at a price of £0.66(CDN\$ 1.05) of the Company for gross proceeds of £ 8,250 equivalent to \$13,091 less brokerage commissions and other related issuance expenses for \$1,006. Proceeds are planned to be used by the Company in the acquisition of the Talca gold property in Chile, Talca exploration and further potential acquisitions and exploration in the Talca district. The broker was also issued 562,550 warrants entitling the holder thereof to acquire one common share per warrant at an exercise price of £0.66 at any time and until the December 20, 2012. A fair value of the warrants of \$276 was estimated and allocated as a cost of the private placement.

During March 2011 the Company entered into a Line of Credit Facility with HSBC Bank (Uruguay) S.A. for \$5,500. During the quarter the Company continued to use the line and has already drawn a total of \$4,944 to finance the purchase of mobile equipment for the Arenal Deeps Underground operation. The Company can withdraw the outstanding facility up until March 15, 2012. The amounts withdrawn are secured by a pledge on the equipment. Amounts drawn bear an interest of LIBOR plus 3.25% with a minimum 4.50% rate payable by semester. Capital is due in four bi-annual installments, the first one due March 15, 2013.

No dividends were paid during the quarter and six month period of the current and previous financial period.

During the current financial period the Company also signed a lease contract with Santander (Uruguay) S.A. for the purchase of mobile equipment for an amount of \$ 136 payable in 36 monthly installments bearing interest at a 4.5% rate.

In July 2011, the Company loaned to an unrelated exploration company incorporated in England and Wales, a \$1,000 loan facility in connection with a potential project. The loan has been secured in a debenture and bears interest at the rate of 6% per annum to be capitalized on a monthly basis and shall be payable by July 2012.

During the quarter and half year a total of 7,500 stock options were exercised at a weighted average price of CAD\$ 0.60 providing funds for \$ 21. (10/11 - 317,631 stock options. at a weighted average price of CAD\$ 0.55 providing funds for \$208). As at November 30, 2011 the Company has 3,231,386 outstanding stock options at a weighted average exercise price of CAD\$ 0.98 (November 30, 2011 – 3,952,885 at CAD\$ 1.39), of which 2,508,052 were vested at a weighted average exercise price of CAD\$ 1.03 (November 30, 2011 – 2,480,706 at CAD\$ 1.79).

5.5 Financial instruments

The Company does not enter into financial instruments for trading or speculative purposes. The level of derivatives contracts done in the past has been consistent with forecasted production. As of November 30, 2011 the Company had no outstanding derivatives.

5.6 Contractual obligations and commitments

The Company's contractual obligations and commitments are as follows

	Total	Less than 1 Year	2 Years	3 years	More than 3 years
Leasing	123	45	45	33	0
HSBC Credit facility	4,944	0	1,236	2,472	1,236
Talca Deferred payments	882	882	0	0	0
Rehabilitation provision	2,833	818	473	142	1,400
Total	8,782	1,745	1,754	2,647	2,636

Commitments derived from exploration farm-outs and acquisition agreements are disclosed in Note 6 of our Financial Statements for the year ended May 31, 2011 with the updates in note 8 of the interim financial statements for the current quarter.

Bank facilities details are disclosed in Note 11 of the interim financial statements and in reference 5.4 of this MD&A document.

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

Orosur Mining Inc.
Management's Discussion and Analysis
November 30, 2011
(Unaudited)

(Thousands of United States Dollars, except where indicated)

6. QUARTERLY RESULTS

	Qtr 3 Feb 2010	Qtr 4 May 2010	Qtr 1 Aug 2010	Qtr 2 Nov 2010	Qtr 3 Feb 2011	Qtr 4 May 2011	Qtr 1 Aug 2011	Qtr 2 Nov 2011
Gold sold (ounces)	11,662	16,376	14,722	11,853	15,300	14,875	12,584	11,740
Average sales price (\$/oz)	1,110	1,157	1,216	1,332	1,368	1,466	1,612	1,717
Cash operating cost (\$/oz)	939	579	799	777	483	893	944	1,007
Total cash cost (\$/oz)	984	629	839	790	521	924	996	1,094
Operating revenues	13,152	19,152	18,213	16,584	21,618	22,319	21,026	20,985
Operating expenses	(12,173)	(10,560)	(11,884)	(9,897)	(9,294)	(12,875)	(13,020)	(13,763)
Contribution Margin	979	8,592	6,329	6,687	12,324	9,444	8,006	7,222
Corporate expenses	(1,003)	(1,085)	(797)	(1,388)	(1,113)	(1,305)	(1,181)	(1,296)
Amortization	(2,228)	(1,697)	(1,480)	(2,135)	(2,016)	(2,588)	(2,000)	(1,990)
Derivatives gain (loss)	0	(109)	(212)	0	0	0	0	0
Exploration expenses write off and exploration expenses	(11)	(232)	(317)	0	(2,563)	(4,813)	(426)	(260)
Net interest and accretion of retirement obligation	(43)	(59)	(6)	(5)	(57)	(144)	(30)	(60)
Foreign exchange gain (loss)	(73)	(32)	260	(109)	(28)	(125)	43	95
Other income (expenses)	33	136	275	132	1,633	265	118	624
Income Tax	(574)	289	(533)	(398)	(1,838)	2,713	(118)	(1,770)
Net income (loss) for the period	(2,920)	5,803	3,526	2,784	6,342	3,447	4,412	2,565
Basic earnings per share	(0.05)	0.09	0.05	0.04	0.10	0.05	0.06	0.03
Cash flow from operations	1,108	5,783	5,307	6,526	8,261	11,254	4,126	9,325
Cash from (used for) financing	34	76	(3)	121	92	7	15,209	1,224
Cash invested	(3,383)	(4,285)	(3,249)	(3,454)	(6,961)	(12,414)	(13,227)	(13,781)
Cash on hand	7,150	8,691	10,746	13,939	15,331	14,178	20,286	17,054
Total Assets	70,857	78,331	76,990	81,211	90,681	94,273	114,654	122,460
Shareholders' Equity	56,176	62,060	65,049	68,272	74,851	78,423	95,337	98,246

7. RISKS AND UNCERTAINTIES

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

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

Sensitivity to commodity prices and foreign exchange rates

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

The Company's gold sales are priced in US dollars while its operating costs are predominantly incurred in US dollars, Canadian dollars, and 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 UME's exploration properties. There is no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced

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

Title Risks

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

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

Political and Economic Risks

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

8. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Economic lives of mining assets and recoverable value

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

Rehabilitation provisions

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 deferred 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 deferred income taxes;

Exploration and evaluation expenditure

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

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

Management's Report on Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of disclosure controls and internal control over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the three months ended November 30, 2011.

Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

There have been no changes in the Company's internal control over financial reporting during the three month period ended November 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

10. NON GAAP MEASURES

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

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company commenced reporting on an IFRS basis in the first quarter of this fiscal year. The Company's first IFRS annual audited financial statements will be for the year ending May 31, 2012. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA handbook").

Refer to Note 1 and 18 of the interim financial statements for the quarter ended November 30, 2011 for more information.

Recent accounting pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the Board also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard on the effective date of January 1, 2015. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation – Special Purpose Entities. The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power, and continuous reassessment. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements will apply to interests in joint arrangements where there is joint control. IFRS 11 would require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation would be removed, equity accounting would be required. Venturers would transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The IASB has issued IFRS 12 Disclosure of Involvement with Other Entities, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. This standard is effective for annual periods beginning on or after January 1, 2013. Entities will be permitted to apply any of the disclosure requirements in IFRS 12 before the effective date. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 will generally converge the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. The key features of IFRS 13 include: a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied, fair value would be defined as the 'exit price', and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

IAS 27 Separate Financial Statements

As a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company does not believe IAS 27 will have a material impact on the Company's consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures

As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

12. 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.