



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended 31 May 2010

(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, 2010, 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, 2010 and May 31, 2009. 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 10, 2010.

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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. The Company is currently completing feasibility work to commence underground operations at the Arenal Deeps deposit with the objective of extending 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 is in the process to define a mineral resource compliant to international standards, 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.

2. KEY RESULTS

Key results for the year ended May 31, 2010 are:

- Production for the year was 56,050 ounces of gold. Ore processed for the year was 1,531,476 tonnes at a gold grade of 1.22 g/t with recovery averaging 93.4%. The production was in line with the Company's revised production forecast provided in January 2010 of between 55,000 and 57,500 ounces of gold for the year.
- Cash costs per ounce of gold for the year were \$ 827 which is in line with the forecasted \$ 825. In the last quarter, cash costs were down to \$ 629 compared to \$ 702 for same quarter last year. The reduction in cash costs per ounce is mainly due to high grade ore mined from Ombú pit, during the quarter. The grade processed in the last quarter was 1.39 g/t Au while the average for the year was 1.22 g/t Au.
- The realized gold price was \$ 1,065 per ounce for the year compared to \$ 841 per ounce last year.
- The after-tax profit for the year is \$1,401 compared to a loss of \$14,355 in the prior year. Higher prices compensated for lower production, with lower costs and depreciation generated a profit for the year.
- Cash flow generated by operations for the year was \$ 9,021, and the Company's cash position at the end of the year was \$ 8,691, with net working capital (current assets less current liabilities including cash) of \$ 18,823. The Company invested \$ 6,459 in capital and \$ 8,785 in exploration for the year compared to \$ 5,472 and \$ 10,106 in the year before.

3. OUTLOOK AND STRATEGY

- The Company's forecast production for the 2011 financial year is 55,000 ounces of gold at a cash cost per ounce of approximately \$US 825. 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 with approximately three years of remaining mine life.
- The Company is currently completing feasibility work to commence underground operations at the Arenal Deeps deposit, with the objective of extending mine life, increasing grade and therefore reducing cash costs. AMEC is completing this feasibility study for Arenal Deeps. The updated Arenal Deeps resource estimate was published in March 2010 with a measured and indicated resource grade of 3.61 g/t Au using a 1.5 Au g/t cutoff and resulting in an overall measured and indicated ounces at 249,000 oz.
- OMI is also focused on a planned exploration and development program at Pantanillo and on an exploration program at Anillo in Chile, following the acquisition of Fortune Valley. A 43-101 compliant report for Pantanillo will be completed by AMEC and its results published during August 2010. Development work has commenced with scoping studies expected to be completed in the second half of fiscal 2011.

4. FORTUNE VALLEY ACQUISITION

In January 2010 the Company announced the completion of the Plan of Arrangement pursuant to which the Company acquired all of the issued and outstanding shares of Fortune Valley Resources Inc. ("Fortune Valley"), a Canadian listed company, in consideration of 0.4534 of the Company's common share plus CAD\$ 0.001 in cash for each common share of Fortune Valley.

Pursuant to the Agreement, the Company acquired 34,772,025 issued and outstanding common shares of Fortune Valley (representing 100% of Fortune Valley's outstanding common shares) in consideration for the issuance of 15,765,638 common shares of the Company and cash consideration in the aggregate amount of CAD\$ 34,772. In addition, holders of Fortune Valley options were entitled to receive 1,008,815 options to purchase the Company's shares in exchange of 2,225,000 Fortune Valley options, on the same terms and conditions as were applicable before the transactions according to the Stock Option Plan of Fortune Valley, and at a strike price equal to the original granted price multiplied by the exchange share ratio of 0.4534. The 15,765,638 new common shares in the Company issued pursuant to the Arrangement were admitted to trading on AIM and on the TSX Venture Exchange.

5. SUBSEQUENT EVENTS

On June 2010, the Company entered into an option agreement with Minerales Cala S.A. ("Cala") which provides Cala the right to earn up to a 80% interest in the Company's Chamizo gold project in Southern Uruguay. Cala is committed to spend \$150 in exploration work within a period of twenty four months to earn 51% interest in the project. Subsequently, Cala will have the right to earn a further 29% by incurring a further \$350 in exploration expenditure. After Cala has completed \$ 500 in expenditure and consequently has earned 80% interest, the Company will have the option to contribute its 20% proportionate share of expenditure. Should the Company choose not to contribute,

dilution shall apply and if the Company's interest falls below 10%, its interest will convert to a Net Smelter Royalty of 2%.

On August 4, 2010, the Company entered into a Definitive Option and Joint Venture Agreement with Gladiator Resources Limited (GLA) which provides GLA the right to earn up to an 80% interest in OMI's Iron Ore, Manganese Ore and Base Metals Prospects in the Isla Cristalina Belt in Uruguay. The Definitive Agreement has now been executed and accordingly GLA will issue fully paid shares with a market value of AUD100,000 to OMI calculated using the average trading price of GLA shares over the preceding five day trading period. The Definitive Agreement with OMI provides for GLA to earn a 20% interest in the Assets by expending US\$ 1 million on work programs. GLA may at its discretion earn a further 31% by expending a further US\$ 4 million taking its interest to 51%. A further 29% may be earned by GLA taking its interest up to 80% by producing a bankable feasibility study on or before 31 December 2015. The Agreement provides for OMI to retain the mineral rights to gold, silver and diamonds within the project area.

6. OVERVIEW OF FINANCIAL RESULTS

6.1 Profit (loss) before taxes

For financial year ended May 31 2010, the Company reported a net profit of \$ 1,401 compared to a net loss of \$ 14,355 for the previous year.

Higher prices combined with lower costs during 2010 generated a contribution margin similar to 2009. Lower depreciation expense in 2010 resulted in a profit after tax of \$ 1,401 for 2010.

Table 1 – Profit (loss) breakdown

	2010	2009	Ref.
	\$000's	\$000's	
Revenue	59,613	63,376	6.2
Operating expenses	(46,949)	(51,354)	6.4
Contribution margin	12,664	12,022	
Amortisation	(9,562)	(19,926)	6.5
Operating profit (loss)	3,102	(7,904)	
Fair value of derivatives	355	(464)	7.5
Exploration written off	(614)	(2,694)	7.3
Corporate and other	(2,745)	(3,972)	6.6
Profit (loss) before income taxes	98	(15,034)	
Income tax recovery	1,303	679	6.7
Profit (loss)	1,401	(14,355)	
Basic earnings (loss) per share	\$ 0.03	\$ (0.29)	

6.2 Revenue

Revenues include gold and silver sales, as well as export cost refunds granted by the Government of Uruguay for exports as shown opposite in Table 2. The Export refunds benefit was cancelled by the Uruguayan government on October 1, 2009.

Total sales of gold for the 2010 financial year were \$ 58,484 with 54,904 ounces of gold sold at an average price of \$ 1,065 per ounce. This compares to \$ 59,936 for the 2009 financial year with 71,291 ounces of gold sold at an average price of \$ 841 per ounce.

Table 2 - Sales composition

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		
2009	\$ 000's	Oz	\$ per oz
Gold	59,936	71,291	841
Silver	2,225	163,631	14
Export refund	1,215		
Total Sales	63,376		

The lower amount of gold sold on a year to year basis, as a consequence of lower production, was partially offset by the gold price increase. The decrease in silver sales is due the lower silver content of the pits from which the Company has been producing in the current year.

6.3 Production statistics

Table 3 - Key production statistics

	2010	2009
Ore mined (tonnes)	1,878,004	1,949,103
Grade mined (g/t Au)	1.06	1.44
Ore processed (tonnes)	1,531,476	1,361,617
Grade processed (g/t Au)	1.22	1.72
Recovery	93.4%	92.7%
Gold produced (ounces)	56,050	70,147

During the financial year ended May 31, 2010, 11,885,000 tonnes were mined in the Company's open pit operation at San Gregorio (2009 - 12,823,000), 10,007,000 tonnes of waste (2009 - 10,874,000) and 1,878,000 tonnes of ore (2009 - 1,949,000) with an average grade of 1.06 g/t (2009 - 1.44). The average strip ratio for the year was 5.3 tonnes of ore to 1 tonne of waste (2009: 5.6).

For the 2009 financial year, 64% of ore mined was sourced from Arenal pit, which was exhausted in April 2009. For the current year's production, ore was sourced from different pits and veins of different structural characteristics and grades. Key production statistics are provided in Table 3.

Table 4 - Quarterly production statistics

2010	Q1	Q2	Q3	Q4	Total
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
2009					
Ore processed (tonnes)	335,832	303,740	332,704	389,341	1,361,617
Grade processed (g/t Au)	1.67	1.72	1.96	1.58	1.72
Recovery	91.4%	94.2%	92.5%	92.8%	92.7
Gold produced (ounces)	16,439	15,837	19,371	18,500	70,147

6.4 Production costs

Total operating costs were \$ 46,949 for year ended May 31, 2010 compared to \$ 51,354 for the previous year. Cash cost per ounce was \$ 827 for the current fiscal year compared to \$ 705 for the previous year. Table 5 reconciles operating costs to cash cost per ounce.

Table 5 - Reconciliation of Operating costs to cash cost per ounce	2010 \$ (000's)	2009 \$ (000's)
Operating expenses	46,949	51,354
<i>Less cost excluded for</i>		
Movement in non ore inventories	751	(851)
Costs not related to production	(434)	(164)
Sub total	47,266	50,339
<i>Adjustments for</i>		
Deferred stripping included in depreciation	0	2,349
Capital tax on production assets	234	301
Export refund and silver credit	(1,129)	(3,440)
Total cash costs	46,371	49,549
Gold recovered in ounces	56,050	70,147
Total cash costs per ounce	827	705

Cash cost per ounce is a non-GAAP measure which is explained in reference 13 of this MD&A document. Cash cost increased on a year to year basis as a consequence of lower gold production, lower silver by-product credits and the elimination of the export refund.

While grade processed year on year was reduced by 30%, cash cost reflects a lower percentage increase (17%) as a consequence of the ongoing cost reduction efforts undertaken since January 2009.

6.5 Amortization and depletion

Amortization and depletion expense was \$ 9,562 for financial year ended May 31, 2010 compared to \$ 19,926 for 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.

Fixed assets depreciation is reducing, as most of the initial investment to start exploiting the Arenal pit reached full depreciation in 2009 when Arenal stopped production and new investments to continue production in satellite pits and veins do not offset that reduction. The same applies to the Arenal mine properties.

Depreciation in 2009 also included previously accumulated deferred stripping costs in Arenal. The Company has adopted EIC 160 under Canadian GAAP which requires that costs associated with the removal of overburden and other mine waste materials incurred in the production phase of operations be charged to income in the period they are incurred. The new policy was adopted effective June 1, 2007 and applied on a prospective basis. However, previously deferred waste removal costs for Arenal pit have been depreciated over the remaining reserves accessed by the stripping activities using the units of production method.

Table 6 - Depreciation composition

	2010	2009
	\$000's	\$000's
Fixed Assets	4,334	5,903
Arenal mine properties	0	5,620
Other mine properties	5,228	5,119
Deferred stripping	0	2,349
Asset retirement obligation	0	935
Total depreciation	9,562	19,926

6.6 Other revenues and expenses

Other revenues and expenses include corporate overhead costs, stock based compensation expense, net interest and bank commissions, capital tax, foreign exchange gains and losses, sales from 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, holding structures costs, listing and regulatory expenses, director's fees and the executive salaries and benefits portion

related to their corporate work. Executive salaries and benefits related to site work are shown under

Table 7 - Other revenues and expenses composition

	2010	2009
	\$000's	\$000's
Corporate overheads	3,039	3,415
Stock based compensation	407	345
Foreign exchange loss (gain)	116	(48)
Net interest loss (gain)	(69)	(27)
Capital tax	554	394
Other gains	(1,302)	(107)
Total other revenues and costs	2,745	3,972

operating expenses. Reduction on a year on year basis is explained by the cost cutting program implemented since the last quarter of the previous financial year.

Capital tax is payable under Uruguayan tax law and applied at a 1.5% rate on the amounts of certain assets less certain specific liabilities measured at financial year end in Uruguayan pesos.

During the month of February 2010, the Company completed the sale of the Montevideo's headquarter offices for total proceeds of \$ 2,300 and an associated written down value of \$ 1,176. The positive result is shown under "Other Gains". Rental cost for the new smaller premises and moving costs are included under "Corporate overheads".

6.7 Income tax

An income tax recovery of \$ 1,303 was recorded for the financial year ended May 31, 2010 compared to a recovery of \$ 679 for the previous year. The detailed comparison is shown in Table 8.

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

The property, plant and equipment and mine properties tax assets represent rights for future income tax deductions nominated in Uruguayan pesos and 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 high appreciation of the Uruguayan peso against the US dollar during the year ended May 2010 (one US dollar equals UY\$ 19.6 at May 31, 2010 and UY\$ 23.4 at May 31, 2009) explains most of the increase of the future tax assets.

As a result of Fortune Valley acquisition, as referred in Note 4 of this MD&A document, the Company has recognized a future tax liability of \$ 1,774. This future tax liability relates to the difference in the unclaimed tax

Table 8 - Income tax composition

	2010	2009
	\$000's	\$000's
Taxable income (loss) for the year	427	(7,764)
Long term tax liability	0	9,656
Taxable income	427	1,892
Tax rate	34%	34%
Income tax at Canadian rates	145	643
Effect lower effective tax rate	(38)	(170)
Current income tax loss for the year	107	473
Benefits not provisioned in previous year	(230)	(1,112)
Current income tax charge (provision)	(123)	(639)
Future tax effect	(1,180)	2,374
Long term tax liability reversal	0	(2,414)
Total future tax effect	(1,180)	(40)
Total income tax recovery	(1,303)	(679)

Table 9 - Future tax assets composition

	2010	2009
	\$000's	\$000's
Property, plant and equipment and mineral properties	3,318	2,830
Fiscal losses	30	0
Other assets and liabilities	833	171
Future income tax asset	4,181	3,001

deductible costs of capital assets in Chile and the related accounting carrying value. The accounting carrying value is based on the fair value of net assets acquired in the acquisition. When the assets are amortized there will be an associated tax benefit for accounting purposes. The future tax liability is based on consolidated accounting values and any cash liability for income tax purposes is not triggered unless the underlying assets are sold.

7. FINANCIAL POSITION

7.1 Cash and other liquid resources

At May 31, 2010, OMI had cash resources of \$8,691 compared to \$ 9,496 at 31 May 31, 2009. Cash decreased by \$ 805 during the financial year ended May 31, 2010 compared to a decrease of \$ 9,105 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. Cost cutting efforts and the increase in gold price contributed to a moderate decrease in cash flow from operations.

Table 10 - Cash increase (decrease)

	Reference	2010 \$000's	2009 \$000's
Cash flow from operations before working capital investment		9,021	9,404
Working capital investment	7.2	2,654	(2,355)
Capital expenditure	7.3	(12,527)	(15,578)
Funding	7.4	47	(576)
Cash increase (decrease)		(805)	(9,105)

7.2 Working capital items

As shown in Table 11, there was a release of working capital of \$2,654 in 2010 when compared to an investment in working capital of \$2,355 in previous year, resulting net cash inflows from operations of \$ 11,675 and \$ 7,049 for the financial years 2010 and 2009 respectively.

Table 11 - Working capital investment

	2010	2009
	\$000's	\$000's
Cash flow from operations before working capital investment	9,021	9,404
Warehouse inventories	643	(790)
Stockpile	(340)	(953)
Other production inventories	(751)	850
Supplier's net of prepayments	2,518	(1,373)
Receivables and tax credits net of tax liabilities	584	(89)
Total working capital investment	2,654	(2, 355)
Cashflow from operations after working capital investment	11,675	7,049

The increase in the balance of Suppliers is explained mainly by an outstanding liability with the Uruguayan Government for the mining royalty corresponding to calendar year 2009 for \$ 1,818. The Company is in discussions with the Government on the parameters to apply in the calculation. Additionally, the Company renegotiated and extended the credit terms with the main contractor.

The increase in the balance of receivables net of prepayments is due to advances made to partners in the Diamond and Iron ore farm outs while supporting them to commence operations in Uruguay and a delay by the Uruguay Tax Office in issuing VAT tax refunds.

7.3 Capital expenditure

Capital expenditure on property, plant and equipment and mineral properties was \$ 6,459 for the financial year ended May 31, 2010 compared to \$ 5,472 for previous year. This includes \$ 2,240 in rebuilds for heavy mobile mining equipment, \$ 1,082 in pre-stripping activities to access veins ore bodies, \$1,342 to increase current tailings dam facilities and \$ 597 in Arenal Deeps development studies.

Cash exploration expenditure was \$ 8,785 for the financial year ended May 31, 2010 compared to \$ 10,106 for the previous year. See Table 12 for details.

During the current financial year, the Company also completed the acquisition of Fortune Valley in Chile as explained in note 4 of this MD&A document. Except for a minimum cash consideration of \$34 and cash transaction costs, Fortune Valley was acquired through an exchange of shares and options at an exchange rate of 0.4534 of the Company's share for each Fortune Valley share plus the assumed net liabilities outstanding in Fortune Valley.

During the financial year ended May 31, 2010 \$ 614 of expenses were written off compared to \$ 2,694 in previous years. Of this total, \$ 142 are related to expenses incurred during the year in the evaluation for the acquisition of properties throughout South America, \$ 67 in severance payments due to the reduction of the exploration staff in Uruguay, and other \$ 405 in minor projects in Uruguay where no substantive expenditure for further exploration and evaluation activities are budgeted or planned.

Capitalized exploration and evaluation expenditure for \$ 6,224 were reclassified to mineral properties as these expenditures related to areas in which a mineral resource was determined. This amount includes \$ 4,117 for Arenal Deeps resource estimations, plus expenditure incurred in resource

determination for the Santa Teresa, Zapucay, Argentinita, Castrillon, Sobresaliente and minor veins deposits. This compares to \$ 3,923 for the previous year.

Table 12 – Exploration expenditure by areas

Project Area	Uruguay – Isla Cristalina	Uruguay - Other	Chile	Other acquisitions	Total
Initial Bal. May 2009	2,937	9,500	0	0	12,437
Cash expenditure	5,636	497	(*) 2,510	142	8,785
Non cash expenditure	0	0	10,466	0	10,466
Transfer to Mine properties	(6,224)	0	0	0	(6,224)
Write off	(242)	(230)	0	(142)	(614)
Final balance – May 2010	2,107	9,767	12,976	0	24,850

(*) Includes Fortune Valley acquisition cash consideration and transaction costs

7.4 Funding

During the financial year ended May 31, 2010, 362,720 options were exercised and converted into ordinary shares providing cash inflows of \$ 50 compared to no options exercises during the previous year. All these options were options granted to Fortune Valley directors and employees pursuant to the acquisition of Fortune Valley by OMI.

As at May 31, 2010, the Company had 2,749,850 outstanding stock options at a weighted average exercise price of CDN\$ 2.04, of which 1,882,517 were vested at a weighted average exercise price of CDN\$ 2.52. The decline in the Company's stock price left all outstanding employee options "out of the money". This compares to the previous year in which 3,172,250 options remained outstanding at a weighted average exercise price of CDN\$ 2.98 out of which 1,818,750 were vested at a weighted average exercise price of CDN\$ 3.57.

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

As explained in note 4 of this MD&A document, and as part of the Fortune Valley acquisition, the Company issued 15,765,638 common shares and 1,008,915 stock options at a weighted average price of CDN\$ 0.82.

7.5 Financial instruments

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

During the first quarter of the current financial year, the Company delivered into a hedge 2,577 ounces of gold at a forward price of \$US 796.25 to settle a 45,000 hedged ounces contract committed in the previous year.

During the last quarter of the current financial year, the Company purchased put options on 10,000 ounces of gold for the period ending May 2010 at a strike price of \$ 1,065 per ounce, \$ 50 below the spot price at the time that the options were purchased for a premium of \$ 109 (or \$ 11 per ounce hedged). During May 2010, the Company purchased 14,000 put options for the quarter ending 31 August 2010 at a strike price of \$ 1,065 per ounce, \$ 75 below the spot price at the time that the options were purchased for a premium of \$ 212 (or \$ 15 per ounce hedged).

7.6 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	33	19	14	0	0	0
Asset Retirement Obligations	2,954	390	1,119	654	128	663
Total	2,987	409	1,133	654	128	663

Commitments derived from exploration farm in and out and acquisitions agreements are disclosed in Note 9 of our Financial Statements

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.

8. QUARTERLY RESULTS

	Qtr 1 Aug 2008	Qtr 2 Nov 2008	Qtr 3 Feb 2009	Qtr 4 May 2009	Qtr 1 Aug 2009	Qtr 2 Nov 2009	Qtr 3 Feb 2010	Qtr 4 May 2010
Gold sold (ounces)	18,182	13,754	20,002	19,353	13,188	13,678	11,662	16,376
Average sales price (\$/oz)	895	796	822	841	912	1,065	1,110	1,157
Cash operating cost (\$/oz)	792	811	547	702	880	871	984	629
Operating revenues	17,721	11,659	17,125	16,871	12,498	14,811	13,152	19,152
Operating expenses	(14,803)	(12,351)	(11,071)	(13,129)	(11,861)	(12,355)	(12,173)	(10,560)
Contribution Margin	2,918	(692)	6,054	3,742	637	2,456	979	8,592
Administration expenses	(1,234)	(1,315)	(860)	(745)	(838)	(1,074)	(1,003)	(1,085)
Amortization and depletion	(3,000)	(5,971)	(4,600)	(6,355)	(2,593)	(3,044)	(2,228)	(1,697)
Fair value of derivatives	(1,528)	733	(901)	1,232	464	0	0	(109)
Exploration write off	0	0	(775)	(1,919)	0	(371)	(11)	(232)
Interest expense and debt accretion	(75)	(63)	(80)	(25)	(71)	(76)	(43)	(59)
Foreign exchange difference	(152)	176	13	11	(17)	6	(73)	(32)
Interest earned and other income (expenses)	192	85	32	68	252	1,199	33	136
Income Tax	25	(860)	19	1,495	8	1,580	(574)	289
Net income (loss) for the period	(2,854)	(7,907)	(1,098)	(2,496)	(2,158)	676	(2,920)	5,803
Basic earnings per share	(0.06)	(0.16)	(0.02)	(0.05)	(0.08)	0.014	(0.05)	0.09
Cash flow from (used in) operations	1,152	(1,954)	4,091	3,760	2,659	2,125	1,108	5,783
Cash from (used for) financing	(448)	(47)	(46)	(35)	(21)	(9)	4	76
Cash invested	(6,954)	(3,911)	(2,433)	(2,280)	(3,976)	(883)	(3,383)	(4,285)
Cash on hand	12,351	6,439	8,051	9,496	8,158	9,391	7,150	8,691
Total Assets	79,155	71,655	70,742	63,516	62,665	65,044	70,857	78,331
Shareholders Equity	63,742	56,084	54,936	52,549	50,485	51,371	56,176	62,060

9. RISKS AND UNCERTAINTIES

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

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

Sensitivity to commodity prices and foreign exchange rates

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

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

Key Personnel Risks

Recruiting and retaining qualified personnel is critical to The Company's success. The number of skilled mining and exploration professionals in Uruguay is limited and competition for such persons is intense in the global mining industry.

As the Company's business activity continues to grow, it will be required to hire additional personnel and retain the services of key personnel. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Exploration, Mining and Operational Risks

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

The Company currently has one producing asset, the San Gregorio project. As more of its projects mature, the Board expects that more projects will develop into producing assets. In common with all mining operations, there is uncertainty, and therefore risk, associated with operating parameters and costs. Whilst costs can be budgeted with a reasonable degree of confidence, operating parameters can be difficult to predict and are often affected by factors outside the Group's control. In addition, other risks, including cuts in electricity supply, fuel supply shortages, industrial accidents, technical failures, labour disputes and environmental hazards are also beyond the Group's control. The nature of resource and reserve quantification studies means that there can be no guarantee that estimates of quantities and grades of minerals will be available to extract. The figures for reserves and resources estimates are determined in accordance with National Instrument 43-101, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and resources

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately

mitigate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. There is no assurance that commercial quantities of ore will be discovered on any of the Company's exploration properties. There is no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. The Company's business activities are also affected to varying degrees by government regulations respecting, among other things, tax, royalties, utilities service supply, mining legislation and environmental legislation changes.

Title Risks

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

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

Political and Economic Risks

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

10. 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. The discounted value of these asset retirement obligations was as at May 31, 2010 \$ 2,954 and is included in the mine closure and site restoration liability. While care was taken to estimate the retirement obligations, these amounts are estimates of expenditures that are not due until future years;

Share based compensation

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

Net future income tax assets and liabilities

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

Exploration and evaluation expenditure

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

11. NEW ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants (CICA) has issued the following standards which may affect the financial position, results of operations and disclosures of the Company for interim and annual periods beginning on the periods indicated:

(a) Section 1582, *Business Combinations*, replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business combinations*. This section applies to fiscal years beginning on or after January 1, 2011. The Company will assess the impact of this section prior to implementation.

(b) Section 1601, *Consolidated financial statements* and Section 1602 *Non Controlling interests* together replace Section 1600 *Consolidated financial statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*. These section apply to financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will assess the impact of these sections prior to implementation.

(c) Section 3862, *Financial Instruments – Disclosures*, was amended during 2009 to require enhanced disclosures about the relative reliability of the data or “inputs” that an entity uses to measure the fair values of its financial instruments. The new requirements include the classification of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement according to their significance. In addition, the amendments require enhanced disclosures regarding the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. Comparative information is not required in the year of adoption. The impact of these amendments is disclosed in note 15 (h) of the financial statements.

12. 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 those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim*

Filings, for the Company. 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, have evaluated the design and operating effectiveness of the Corporation's ICFR and confirm that they have been designed effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. 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.

13. 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 produce.

14. INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

During calendar 2010, the Company plans to undertake an IFRS diagnostic study with a view to assessing the main areas expected to be impacted through the transition to IFRS on the Company's accounting policies and to establish a project plan to implement IFRS. A number of key accounting

areas where IFRS differs from current accounting policies and accounting alternatives in those and other key accounting areas will be identified and reviewed. In 2011, the Company will evaluate the alternatives and analyze the impact upon the implementation of IFRS, calculate the IFRS transition adjustments that impact the financial statements as well as assessing the disclosure requirements of IFRS on the Company's financial statements.

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

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

15. 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.