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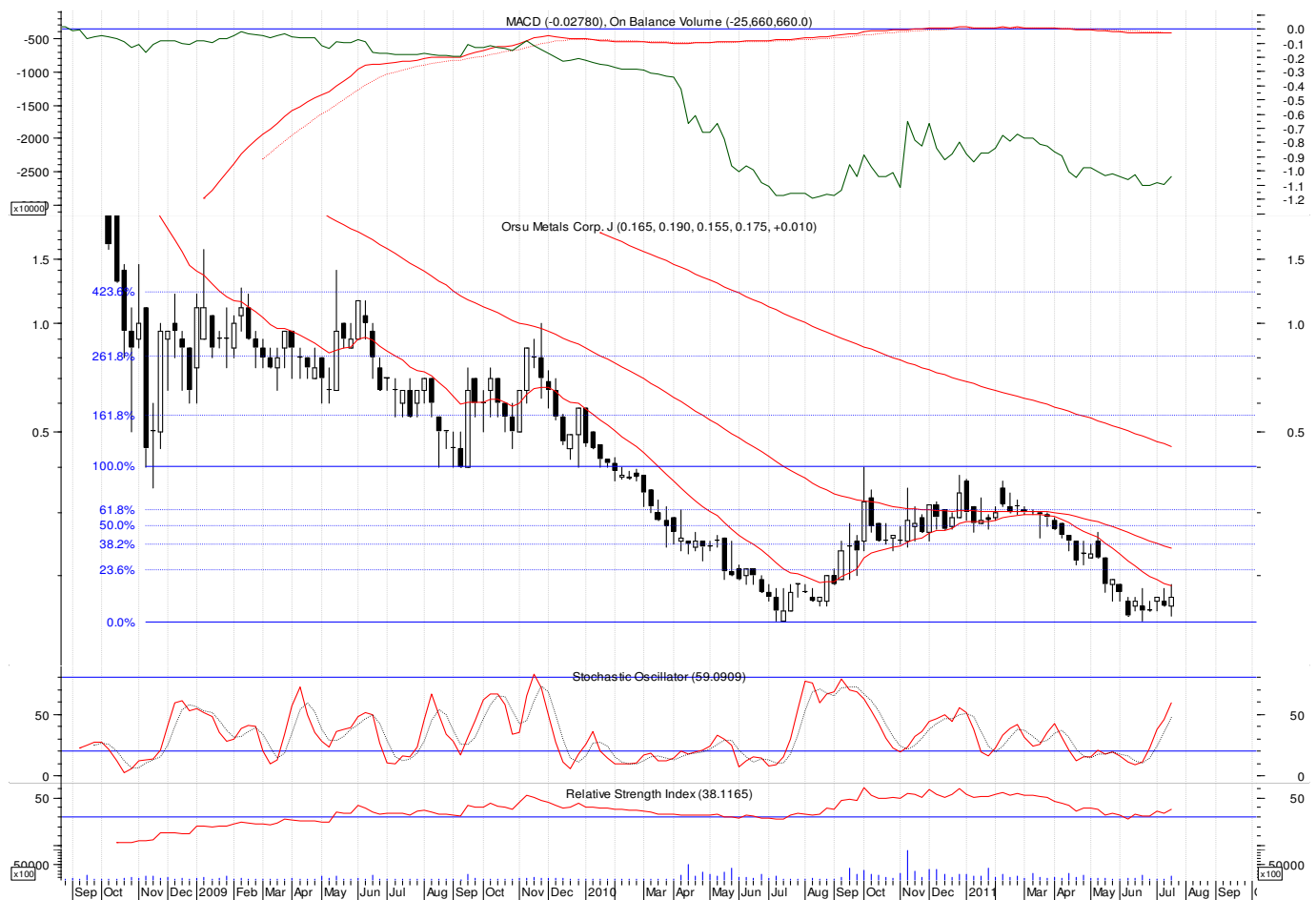
YE Apr30 Δ: '96 116.9%; '97 28.1%; '98 36.4%; '99 39.4%; '00 180.9%; '01 -50.5%; '02 18.7%; '03 28.8%; '04 166.7%; '05 28.2%; '06 153.3%; '07 8.8%; '08 -25.2%; '09 -50.3%; '10 162.3%; '11 2.6%

Junior Gold and Natural Resource Sector Report

July 25, 2011

ORSU METALS (OSU-TSX)

Cash Value Bottom Pick



Weekly chart, High \$8.50, Low \$0.15, Last trade \$0.175

Orsu today announced it has negotiated early receipt of the final payout from the sale of their former Varvarinskoye gold-copper project in Kazakhstan, topping up by \$5.5 million their treasury which sat with \$19.4 million in cash and equivalents as at March 31, 2011. Total cash per share is now approximately \$0.16, near its current trading price, and investors essentially get the company's advanced exploration projects for free. The company's cash burn rate has been averaging about \$569,000 per month, which includes admin, legal, professional and exploration expenses, partially offset by some modest residual oil and gas income.

Orsu's principal and most advanced exploration project is their 47.3 km² licence area in eastern Kazakhstan containing the Karchiga VMS deposit, which is part of the Rudny Altai polymetallic belt. Orsu's other principal exploration asset is their Talas Project, the Taldybulak, Barkol, Korgontash and Kentash licences, within the Tien Shan gold belt of northwestern Kyrgyzstan. And approximately 100 km to the southwest of the Talas Project is their Akdjol-Tokhtazan licence area comprising the Akdjol and Tokhtazan licences.

Orsu has been quietly building up its management and technical team since completing a preliminary assessment study of its Karchiga Project. An expected increase to its life-of-mine to 11 years and reduction of the stripping ratio are waiting to be confirmed by a Definitive Feasibility Study (DFS), expected in Q3 2011. We are expecting completion near term of a Mineral Reserve estimate for Karchiga which will form an integral part of the DFS.

The base case scenario for Karchiga shows a NPV of approximately \$138 million based on a 10-year cash flow discounted at 10%, with an IRR of 40.5% based on a flat copper price of \$3.00/lb. Last April's update on the sulphide ore flotation tests demonstrated an ability to achieve a significantly higher copper grade and copper recoveries in concentrate from the Karchiga ores than indicated in the original May 2010 Scoping Study.

There are approximately 158 million shares of Orsu Metals outstanding. The GSW Model Portfolio holds 850,000 shares of Orsu with an average cost of \$0.31, as well as 125,000 April 15 2012 warrants exercisable at \$0.50 (non-trading). We are accumulating additional shares under \$0.20 to average down our cost.

Review

Orsu's Chairman, Dr. Sergey Kurzin (he has a PhD in nuclear physics) and is a man of strong will and ability, highlighted when one meets him by his large physical stature and robust personality. He has a history of finding exceptional Former Soviet Union resource opportunities. These include Julietta (a high grade gold deposit in Magadan, Russia with Bema Gold), Kupol (a high grade epithermal gold deposit in Chukotka, Russia also with Bema Gold), the Varvarinskoye copper and gold skarn deposit in Kazakhstan with European Minerals Corporation (EPM), which were re-acquired through Orsu when EPM dropped the ball on its development. He also played a key role in establishing UrAsia Energy Ltd, a uranium producer with mining operations in The Republic of Kazakhstan, one of our big winners a few years ago when it was taken over by Uranium One.

Few people understand how Dr. Kurzin rescued Oriel Resources. He inherited a messy share structure and unfocused company when he was asked to come in as President in 2004. He recapitalized the company, and recruited one of the top nickel metallurgists in the world to work with him on the Shevchenko nickel project. Dr. Kurzin found a high grade chrome project nearby – bought it, financed it, built it and then bought a ferrochrome smelter (for \$375 million in assets and cash). He then sold the whole company within 3.5 years for \$1.5 billion.

Orsu Metals was reorganized in November 2009 with a 1 share for 10 rollback and \$28 million \$0.25/unit recapitalization. The insiders significantly participated in this financing. Management has been working hard to leave behind their ill-fated rescue attempt of the Varvarinskoye gold-copper project in Kazakhstan, having taken it on just before the 2008 market and resource sector meltdown, and subsequently sold to Russian miner OJSC Polymetal as its technical issues threatened to swamp Orsu's technical and monetary resources.

Given the 2008 trading high of \$8.50 per share and its dual listings on both the TSX and London's AIM market, Orsu Metals has some way to go to create sufficient value to get Dr. Kurzin's network of followers out of the glue, and patient investors can find great value here with relatively modest risk.

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