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**AIM: OSU**  
**TSX: OSU**  
**PRESS RELEASE**  
12 November 2009

## **Orsu Metals Corporation**

### **Interim Results for the Period Ended 30 September 2009 and 2008 (Unaudited)**

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Orsu Metals Corporation ("Orsu", or the "Company") (TSX: OSU, AIM: OSU), the London-based base and precious metal mining, development and exploration company today reports its results for the quarter and nine months ended 30 September 2009. All amounts are reported in United States Dollars unless otherwise indicated. Canadian Dollars are referred to herein as CAD\$.

#### **QUARTER HIGHLIGHTS**

- July 2009 – Orsu announced that at an Annual and Special Meeting of Shareholders held on July 10, 2009, shareholders approved all resolutions proposed, including the authorisation of the sale by the Company of its 100% interest in the Varvarinskoye Project (the "Varvarinskoye Disposition Resolution")
- September 2009 – Orsu announced that, in conjunction with the intended sale of the Company's Varvarinskoye gold-copper project in Kazakhstan, Mr Randy Reichert tendered his resignation from the position of Chief Operating Officer ("COO").
- September 2009 – Orsu announced the extension of the long stop date (to October 13, 2009) relating to the SPA of the Varvarinskoye Project to Polymetal.

#### **POST QUARTER HIGHLIGHTS**

- October 2009 – Orsu announced a second extension of the long stop date (to October 30, 2009) relating to the SPA of the Varvarinskoye Project to Polymetal.
- November 2009 – Orsu announced the closing of the sale of its 100% owned Varvarinskoye gold-copper mine in northern Kazakhstan to OJSC Polymetal, previously announced on June 15, 2009.
- November 2009 - Takhir Baratov resigned from the position of Executive Director, Central Asia, but remains as an Executive Advisor to the Company.
- November 2009 - Dr. Alexander Yakubchuk appointed as Chief Operating Officer, formerly Director of Exploration for Orsu.
- November 2009 – the board of directors approve a consolidation of common shares on a one for ten basis.

#### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

A full Management's Discussion and Analysis of the results for the quarter and nine months ended 30 September 2009 and 2008 ("MD&A") and Financial Statements ("Financials") for the Company for the nine months ended 30 September 2009 will soon be available on the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) or on the Company's website ([www.orsumetals.com](http://www.orsumetals.com)). These can also be obtained on application to the Company. The following information has been extracted from the MD&A and the Financials.



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## FINANCIAL RESULTS FOR THE THREE MONTHS TO SEPTEMBER 30, 2009

For the three months to September 30, 2009 the Company made a net loss of \$23.7 million consisting of a net loss from discontinued operations of \$21.1 million and a net loss from continuing operations of \$2.6 million. The Company made a net profit of \$2.7 million, for the three months to June 30 2009, and net loss of \$4.0 million for the three months to September 30, 2008.

The net loss of \$21.1 million from discontinued operations comprised of a gross operating profit (revenues of \$22.6 million less cost of sales \$19.8 million) of \$2.8 million (with a comparative profit for the three months to June 30 2009 of \$16.8 million and a loss for the three months to September 30, 2008 of \$12.5 million) offset by net losses on derivatives of \$21.3 million (with a comparative loss for the three months to June 2009 of \$6.7 million and a net gain for the three months to September 30, 2008 of \$19.0 million), with administration and other charges for discontinued operations of \$2.5 million (expenditure for the three months to June 30 2009 and September 30, 2008 of \$4.3 million and \$4.8 million respectively).

Net losses on continuing operations of \$2.6 million (losses for the three months to June 30, 2009 and September 30, 2008 of \$3.1 million and \$5.8 million respectively) were due mainly to: head office general & administration charges (including legal and advisory fees pertaining to the Varvarinskoye disposition), exploration costs, and stock based compensation charges in respect of share options vesting during the quarter.

### Revenues – discontinued operations

	3 months to September 30, 2009		3 months to June 30, 2009	
	Sales	Revenues \$000s	Sales	Revenues \$000s
<b>Product</b>				
Gold – Dore oz	10,380	8,639	13,194	12,068
Gold – Concentrate oz	3,714	5,428	8,012	7,562
Copper – Concentrate lbs	3,492,667	8,565	6,922,600	12,864
		<u>22,632</u>		<u>32,494</u>

For the three months to September 30, 2009, the Company made gold sales 14,094 oz (dore and concentrate) and achieving a net realized price (after quotational price adjustments, treatment and refining charges) of \$998 / oz giving revenues of \$14.1 million. This compares to the previous quarter in which gold sales were 21,206 oz, with revenues of \$32.5 million, with a net realised price of \$926 / oz. The decrease in the volume of gold sales was due to lower shipments in the quarter as a result of lower grades achieved, as shown on table 1. The affects of the lower shipments, along with the lower grade of gold ore recovered, were partially offset by the aforementioned increased net realised price of gold.

For the three months to September 30, 2009, the Company made copper concentrate sales of 3.5 million lbs which achieved a net realised copper price of \$2.45 /lb. This compares to copper concentrate sales in the previous quarter of 6.9 million lbs with a net realised price of \$1.86 /lb.

The reduction in volume of copper concentrate sales of 3.4 million lbs, was because of reduced grades of copper concentrate recovered, as shown on table 1, and also because the second quarter sales were related to the recovery of the backlog of shipments to Trafigura which had ceased at the end of 2008. The drop in shipments was partially offset by higher copper prices achieved in the third quarter.



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## Cost of sales – discontinued operations

	<b>3 months to September 2009</b>	3 months to June 30 2009
<b>Production</b>		
Total ore mined, tonnes	<b>5,480</b>	4,256
Total ore processed, tonnes	<b>803</b>	779
<b>Metal produced</b>		
Copper concentrate, tonnes	<b>7,049</b>	7,779
Gold ounces	<b>15,117</b>	16,964
<b>Operating expenses</b>		
Mining costs	<b>(6,724)</b>	(5,992)
Processing costs	<b>(6,899)</b>	(6,007)
Site costs	<b>(307)</b>	(306)
Stock and WIP adjustments	<b>(3,075)</b>	(12)
Mineral extraction tax	<b>(1,153)</b>	(1,124)
	<b>(18,741)</b>	(18,741)
Selling and distribution costs	<b>(779)</b>	(1,479)
Depreciation, depletion and amortisation	<b>(125)</b>	(99)
Accretion	<b>(190)</b>	(192)
<b>Cost of sales</b>	<b>(19,835)</b>	(15,726)

Costs of sales expenses were \$19.8 million during the quarter (\$15.7 million June 30, 2009 and \$28.0 million September 30, 2008).

The increase in the cost of sales of \$4.1 million for the three months to September 30, 2009 versus the prior quarter was primarily due to increases in mining costs of \$0.7 million, processing costs of \$0.9 million and stock and WIP adjustments of \$3.0 million offset by a decrease in selling and distribution costs of \$0.7 million due to the reduction in shipments in the quarter.

During the quarter Varvarinskoye mined a total of 5.5 kilo tonnes of ore (including waste) with mining cost per tonne of \$1.23, resulting in mining costs for the quarter of \$6.7 million. This is compared against the prior quarter in which 4.3 kilo tonnes per mined but with a mining cost per tonne of \$1.41 giving a total mining costs during the quarter of \$6.0 million.

During the quarter Varvarinskoye processed 803 kilo tonnes of ore versus the prior quarter of 878 tonnes.

However, the processing costs during the quarter increased from \$6.85 per tonne, for the three months to June 30, 2009, to \$8.59 per tonne due to increased expenditure on consumables in the quarter of cyanide and hydrogen peroxide.

Finally during the quarter there was a \$3.1 million charge for revaluation of the stock pile to the net realisable value at the end of the quarter.

## Other (Expenses) Income

### Derivative instruments – discontinued operations

At September 30, 2009 the Company's derivative financial instruments were comprised solely of gold forward sales contracts.



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For the three months ended September 30, 2009 the Company booked realised derivative losses of \$5.8 million (for the same period in 2008 – \$9.2 million) representing 15,000 ounces of gold, which remained unpaid at the end of the quarter.

The risk adjusted mark to market revaluation of the Company's derivative liabilities, from a strike price of \$574.25 per oz, as at September 30, 2009 at an average forward gold price of \$915 per oz and a risk adjusted rate for the Company in the range of 14% to 17% per annum, depending on the remaining term of the derivative liability contracts, gave rise to an unrealized derivative loss for the quarter of \$15.6 million (unadjusted unrealized gain for the same period in 2008 of \$28.3 million, unadjusted for the aforementioned Company's own credit risk).

The Company had 315,160 ounces of forward gold sales remaining at a price of \$574.25 per ounce as at September 30, 2009 (372,468 remaining at September 30, 2008).

The Company estimates that the Varvarinskoye Hedge represents approximately 57% of the gold production during the remaining term of the Hedging Facility (January 2009 to June 2014), but only approximately 28% of the current estimates (completed in January 2009) of probable reserves of gold at Varvarinskoye.

#### **Administration charges**

Administration charges for the quarter were \$2.9 million, comprising \$1.7 million for continuing operations and \$1.2 million for discontinued operations. The charge of \$1.7 million for the quarter in relation to continuing operations decreased by \$0.8 million from the previous quarter due to lower legal and advisory fees pertaining to the Varvarinskoye disposition.

#### **Interest expense and income**

The interest expense for discontinuing operations for the quarter was \$1.8 million compared with \$3.0 for the same period in 2008. The charge for the quarter was made up of amortised deferred finance costs of \$1.1 million (same period in 2008 - \$1.7 million) and \$0.6 million accrued interest (same period in 2008 – \$1.3 million) for the Varvarinskoye debt facility.



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## FINANCIAL RESULTS FOR THE NINE MONTHS TO SEPTEMBER 30, 2009

For the nine months to September 30, 2009 the company made a net loss of \$49.3 million (net loss of loss \$59.0 million for the same period in 2008) consisting of a net loss from discontinued operations of \$40.6 million and a net loss from continuing operations of \$8.7 million.

The net loss of \$40.6 million from discontinued operations comprised of a gross operating profit of \$16.7 million (September 30, 2008 gross operating loss of \$16.1 million) offset by net losses on derivatives of \$43.5 million (September 30, 2008 loss of \$15.1 million), and administration and other charges for discontinued operations of \$13.8 million (September 30, 2008 \$12.0 million).

Net losses on continuing operations of \$8.7 million (September 30, 2008 of \$15.8 million) were due to head office administration and other charges.

### Revenues – discontinued operations

	9 months to September 30, 2009		9 months to September 30, 2008	
	Sales	Revenues \$000s	Sales	Revenues \$000s
<b>Sales</b>				
Gold – Dore oz	31,307	27,752	16,220	13,628
Gold – Concentrate oz	12,522	13,848	8,065	7,123
Copper – Concentrate lbs	10,995,016	23,328	4,274,212	10,246
		<u>64,928</u>		<u>30,997</u>

For the nine months to September 30, 2009 the Company invoiced sales of \$67.4 million plus a future metal price settlement adjustment of \$2.0 million less treatment and refining charges of \$4.5 million, resulting in reported year to date revenues of \$64.9 million (\$31.0 million for the nine months to September 30, 2008). The settlement adjustments were calculated using estimated final settlement prices for copper per lb between \$1.46 -2.27 at the end of the quarter.

For the nine months to September 30, 2009, the Company made gold sales 43,829 oz (dore and concentrate) of \$41.6 million and achieving a net realized price of \$949 / oz.

Copper concentrate sales were 10,995,016 lb with a net realised price of \$2.12/ oz. This compares to a same period in 2008 of 4,274,212 lbs with a net realised price of \$2.40.

The increase in net prices realised for the gold and copper are a reflection of the continuing recovery in world metal prices.

**Cost of sales – discontinued operations**

	<b>9 months to September 2009</b>	9 months to September 30 2008
<b>Production</b>		
Total ore mined, tonnes	<b>13,409</b>	8,988
Total ore processed, tonnes	<b>2,203</b>	1,640
<b>Metal produced</b>		
Copper concentrate, tonnes	<b>24,436</b>	13,638
Gold ounces	<b>45,701</b>	27,248
<b>Operating expenses</b>		
Mining costs	<b>(18,537)</b>	(16,851)
Processing costs	<b>(19,841)</b>	(16,867)
Site costs	<b>(885)</b>	(1,514)
Stock and WIP adjustments	<b>(1,803)</b>	4,901
Mineral extraction tax	<b>(3,641)</b>	-
	<b>(44,207)</b>	(30,331)
Selling and distribution costs	<b>(2,640)</b>	(3,580)
Depreciation, depletion and amortisation	<b>(324)</b>	(12,514)
Accretion	<b>(569)</b>	(671)
<b>Cost of sales</b>	<b>(48,240)</b>	(47,096)

Costs of sales expenses were \$48.2 million for the nine months to September 30, 2009, (\$47.1 million for the nine months ended September 30, 2008).

The increase in the cost of sales of \$4.1 million for the three months to September 30, 2009 versus the prior quarter was primarily due to increases in mining costs of \$0.7 million, processing costs of \$0.9 million and stock and WIP adjustments of \$2.5 million offset by a decrease in selling and distribution costs of \$0.7 million due to the reduction in shipments in the quarter.

During the nine months to September 30, 2009, Varvainskoye mined a total of 13,409 kilo tonnes of ore (including waste) with mining cost per tonne of \$1.38, resulting in total year to date mining costs \$18.5 million. This is compared to the previous year in which 8.9 kilo tonnes were mined but with a mining cost per tonne of \$1.87 giving total mining costs during the quarter of \$16.9 million. The lower mining cost per tonne for September 2008, \$1.38, compared to September 2008, \$1.87, was due to lower prepaid fuel and maintenance charges in the period.

During the nine months to September 30, 2009, Varvarinskoye processed 2,203 kilo tonnes of ore versus \$1.64 tonnes for the same period in 2008. This equates to a processing cost of \$8.19 per tonne compared to \$10.28 for the same period in 2008. The reduction in the processing cost per tonne was due to lower prepaid consumables from 2008.

Selling and distribution costs of \$2.6 million compared to the comparative period of \$3.6 million. The 2008 figure includes treatment and refining charges which were subsequently reclassified to revenues.

The depreciation charge of \$0.3 million compared to \$12.5 million for same period for 2008, is reflective of the impairment of the Varvarinskoye project assets which were written down at the end of 2008.



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## **Other (Expenses) Income**

- **Derivative instruments – discontinued operations**

At September 30, 2009 the Company's derivative financial instruments were comprised solely of gold forward sales contracts.

For the nine months ended September 30, 2009 the Company booked realised derivative losses of \$20.7 million (for the same period in 2008 – \$20.6 million) representing 57,308 ounces of gold, which remained unpaid at the end of the quarter.

The risk adjusted mark to market revaluation of the Company's derivative liabilities, from a strike price of \$574.25 per oz, as at September 30, 2009 at an average forward gold price of \$915 per oz and a risk adjusted rate for the Company in the range of 14% to 17% per annum, depending on the remaining term of the derivative liability contracts, gave rise to an unrealized derivative loss for the period of \$22.9 million (an unadjusted gain for the same period in 2008 of \$5.5 million).

The Company had 315,160 ounces of forward gold sales remaining at a price of \$574.25 per ounce as at September 30, 2009 (372,468 remaining at September 30, 2008).

The Company estimates that the Varvarinskoye Hedge represents approximately 57% of the gold production during the remaining term of the Hedging Facility (January 2009 to June 2014), but only approximately 28% of the current estimates (completed in January 2009) of probable reserves of gold at Varvarinskoye.

- **Administration charges**

Administration charges were \$9.7 million for the nine months to September 30, 2009, comprising \$5.8 million for continuing operations (\$10.6 million for the same period in 2008) and \$3.9 million for discontinued operations (\$5.0 million for the same period in 2008).

For continuing operations, the reduction in administration charges compared to the same period in 2008, was due to the severance and restructuring charges incurred in 2008 following the acquisition of Lero.

- **Interest expense and income**

Interest expenses for the nine months to September 30, 2009, were \$7.5 million compared with \$6.1 for the same period in 2008. The charges include amortised deferred finance costs of \$5.4 million (same period in 2008 - \$1.8 million) and \$1.9 million accrued interest (same period in 2008 – \$4.3 million) for the debt facility.

- **Foreign exchange losses**

On February 4, 2009, the Kazakhstan Tenge was devalued from an exchange rate to the US\$ of 120 Tenge to 150 Tenge. As a result of this devaluation, the Company recorded an exchange loss of \$2.1 million during the nine months to September 30, 2009.

For the same period in 2008, the Company incurred a loss of \$1.7 million which related to an exchange loss on Rand 28.2 million recovered from South Africa in relation to the MDM litigation (see note 14 of the financial statements).



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## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2009 the Company's main source of liquidity was unrestricted cash. In total the Company held \$3.4 million of unrestricted cash (December 31, 2008 \$7.8 million), of which \$0.7 million was held by continuing operations (December 31, 2008 \$6.2 million) and \$2.7 million held by discontinued operations (December 31, 2008 \$1.6 million).

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

At September 30, 2009, the Company's consolidated working capital was a deficit of \$180.2 million compared with a working capital deficit of \$21.1 million at September 30, 2008 and a deficit of \$68.7 million at December 31, 2008.

The movement between September 30, 2009 and September 30, 2008 of \$159.1 million was primarily due to: the classification of all Varvarinskoye lender debt as current (\$28.1 million movement); all derivative liabilities as current (\$108.5 million movement) and a reduction in short term inventory of \$6.2 million; a decrease in accounts payable and accrued liabilities are \$2.3 million.

At December 31, 2008, the Company's consolidated working capital was a deficit of \$68.7 million. The reduction in consolidated working capital of \$111.5 million between December 31, 2008 and September 30, 2009 was primarily due to the re-classification of all derivative liabilities as current liabilities as at September 30, 2009 (resulting in a \$103.8 million adverse movement) and the reduction of short term inventory by \$1.3 million.

Following the completion of the sale of the Varvarinskoye Project to Polymetal on October 30, 2009 Orsu's short-term liquidity is significantly improved. Orsu received an initial cash consideration from the sale of \$8 million and estimates the initial net sale consideration, after all advisory, legal and other sale transaction costs, to be approximately \$5 million. This shall be used to settle any outstanding disposal costs, to fund the Company's normal operating costs and ongoing exploration activities on its existing properties. Also, following the completion of the sale, the Company and its remaining subsidiaries no longer have any outstanding long-term debt and hedging obligations.

Whilst Orsu has received the initial sale consideration of \$8 million, there exists significant uncertainty in relation to the future receipt of any deferred consideration proceeds (up to a maximum entitlement of \$12 million). Deferred consideration proceeds are based upon and affected by future gold and copper metal price levels. This key factor is not under the control or influence of Orsu.



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## GOING CONCERN

While the Company's financial statements for the period ended September 30, 2009, have been prepared using Canadian GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, the adverse conditions below cast significant doubt as to the Company's ability to meet its obligations as they became due and, accordingly, the appropriateness of using accounting principles applicable to going concern.

At September 30, 2009, the Company had a working capital deficit of \$180.2 million, (December 31, 2008 - working capital deficit of \$68.7 million), accumulated losses of \$557 million (December 31, 2008 - \$541 million) and shareholders' deficiency of \$124 million (December 31, 2008 - shareholders' deficiency of \$109 million). At September 30, 2009 the Company was in default on payments as they fell due under the gold forward contract obligations and the hedge counterparties were entitled to terminate any open derivative positions and seek full repayment for all unsettled derivative obligations. For this reason all derivative liabilities have been classified as current liabilities at September 30, 2009, contributing to the increase in the Company's working capital deficit as at September 30, 2009 compared with December 31, 2008. In addition, the Company was subject to commitments and contingencies as set out in notes 11 and 14 of the Company's financial statements.

Following a sharp deterioration in world copper metal prices and higher than expected operating costs at Varvarinskoye, in the fourth quarter of 2008 the Company reviewed its Varvarinskoye mineral reserve and mineral resource estimates and engaged an independent expert to update the mineral reserve estimates based upon a reinterpretation of the central pit geology. Compared with the previous December 2006 Varvarinskoye Technical Report, the remaining mine life from January 1, 2009 was reduced from 14 years to 8 years with a significant reduction in estimated contained copper and gold metals. Coupled with management's long-term copper and gold pricing forecasts, the Company's revised mineral reserve and mineral resource estimates for Varvarinskoye created significant doubt regarding the Company's ability to generate sufficient cash flows from its mining operations to meet its obligations under the Varvarinskoye Project finance debt facility with Investec Bank Limited, Nedbank Limited and Natixis Bank (the "Lenders") and the unmargined gold forward sales contracts entered into as a requirement of the debt facility.

The Company was unable to meet the first two repayment tranches under the long-term debt facility of \$16.65 million due on December 31, 2008 and \$19.4 million due on June 30, 2009, and payment of both tranches remained outstanding as September 30, 2009. As at February 24, 2009, the Company was in breach of its permitted indebtedness covenant with respect to trade creditors, both in respect of amounts and terms ("Permitted Indebtedness"). This arose primarily due to temporary delays in shipping concentrate for sale. No waiver had been obtained from the Lenders for this breach. The Company forecast that, in the absence of additional waivers or modification of the debt terms, it would have remained unable to meet its 2009 scheduled repayment obligations, would have remained in breach of its repayment terms and its Permitted Indebtedness covenants, and was likely to breach additional covenants of its long-term debt facility. Failure to remedy existing or future breaches and to comply with the debt repayment terms would have entitled the Lenders to demand immediate repayment of all amounts owing (see note 6 of the Company's financial statements).

At September 30, 2009, the Company had an outstanding future obligation to settle 315,160 ounces of unmargined forward gold sales contracts at a strike price of \$574.25 per ounce, of which contracts for 23,018 ounces were due for settlement during the remainder of 2009. This future obligation has been valued on a credit adjusted mark to market basis at September 30, 2009 at \$107.3 million. The practice of the Company had been to settle the gold forward contracts as they fell due on the settlement date. Up to December 31, 2008, the Company had settled contract amounts totalling \$20.5 million as they fell due. However, the Company was unable to meet its gold forward contract settlement obligations due between January 2009 and October 2009 of \$20.7 million. Under the cross default terms of the debt facility, a default on payments as they fall due under the gold forward contract obligations entitled the Lenders to demand immediate repayment of all amounts owing under the term debt facility and entitled the hedging counterparties to terminate any open derivative positions (see note 7 of the Company's financial statements).

While the Company had been working with the Lenders for several months to refinance the Varvarinskoye Project satisfactory arrangements were not reached and during this time the need for additional capital to fund the Varvarinskoye Project increased to an estimated \$15 million (comprised of US\$5 million working capital and \$10 million for capital projects), required to maintain operations at



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the Varvarinskoye Project and to achieve management's objectives and plans for the Varvarinskoye Project.

Due to the length of time that continued discussions with the Lenders required, and in light of the lack of refinancing alternatives generally available to the Company as a result of the current global credit and equity market conditions and the Company's continued defaults, and with the desire to maximize shareholder value in the face of alternative scenarios, the Company entered into a sale and purchase agreement dated June 13, 2009 with Open Joint Stock Company Polymetal ("Polymetal"), a Russian-based mining company, pursuant to which the Company has agreed, subject to certain conditions, to sell to Polymetal all of its interest and obligations in the Varvarinskoye Project.

On October 30, 2009 the sale of the Varvarinskoye Project to Polymetal was completed, resulting in the receipt by Orsu of the initial sale consideration of \$8 million and Orsu's release from all of its financial and guarantor obligations in the Varvarinskoye Project. The completion of the sale removes all significant doubt as to the Company's ability to meet its obligations as they become due and, accordingly, the use of the accounting principles applicable to a going concern are appropriate for the current periods presented.



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## COMMITMENTS

The following table summarises the commitments of the Company as at September 30, 2009:

	2009	2010	2011	2012	2013 +	Total
	\$	\$	\$	\$	\$	\$
Long-term debt (discontinued operations)	60,296	-	-	-	-	<b>60,296</b>
Derivative liabilities (discontinued operations)	30,585	35,224	33,744	28,390	34,830	<b>162,773</b>
Lease obligations (continued operations)	110	-	-	-	-	<b>110</b>

The amounts shown above for the derivative liabilities commitments represent the mark to market future cash commitment excluding any credit risk adjustments.

## RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2009 and 2008, the Company was party to the following transactions involving related parties, all of which have been recorded at the exchange amount:

Dragon Management International Services Limited ("DIS") charged the Company a total of \$55,049 (2008 - \$1,573,638) in respect of the provision of office facilities, general office overheads and re-charged costs incurred on behalf of the Company, ceased as at March 31, 2009. A former Chairman and director of the Company, beneficially owns DIS.

Endeavour Financial Corp ("EFC") charged the Company a total of \$171,463 (2008 - \$3,612,391) in respect of the provision of debt restructuring and consulting services. A former Chairman and director of the Company, is a shareholder of EFC.

During the period ended September 30, 2009 the Company was charged \$196,743 (2008 - \$110,000) for rent and service charges from Oriel PLC a company related through a common director (whom resigned September 19, 2008).

As at September 30, 2009, a total of \$17,741 (2008 - \$30,000) for related parties has been included in accounts payable.



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## CORE ASSETS

Prior to the sale of the Varvarinskoye Project on October 30, 2009, Orsu's principal asset was the Varvarinskoye Project. Orsu's other exploration and development projects include the Karchiga Volcanogenic Massive Sulphide ("VMS") deposit in Kazakhstan and the Talas and Tokhtazan exploration licence areas in Kyrgyzstan.

- **Varvarinskoye Gold-Copper Mine, Kazakhstan** – The Varvarinskoye Project is located in northwest Kazakhstan and commenced production of gold doré in December 2007 and copper-gold concentrate in March 2008. In the third quarter of 2009, the Varvarinskoye Project produced a total of 470,192 grams (15,117 troy oz) of gold and 1,266 tonnes of copper recovered to concentrate, compared to a total of 527,634 grams (16,939 troy oz) of gold and 1,547 tonnes of copper recovered to concentrate during second quarter of 2009. In January 2009, the Company completed an updated mine plan, including updated mineral reserve and mineral resource estimates, for the Varvarinskoye Project. The "qualified person" (as such term is defined in National Instrument 43-101) who supervised the preparation of, and is responsible for, the 2009 updated mineral reserve and mineral resource estimates for the Varvarinskoye Project is Mr Stephen Craig, Managing Director of Oreology, Australia. The complete technical report respecting the 2009 updated mineral reserve and mineral resource estimates (entitled "Varvarinskoye Cu/Au Open Pit Mine, Mine Planning Study" and dated 30 January, 2009) can be viewed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Further discussion about the Varvarinskoye Project can be found in the Review of Operations.
- **Talas Exploration Licence Area, Kyrgyzstan** – The Taldybulak copper-gold porphyry deposit is the primary exploration property within the Taldybulak-Talas licence which comprises core assets of the Company in Kyrgyzstan including the Taldybulak, Kentash, Barkol and Korgontash licences. In April 2008, the Company completed a National Instrument 43-101 mineral resource estimate. In December 2008, Orsu announced it had signed a joint venture agreement with Gold Fields for the further exploration and development of the Talas licence area. The mineral resource estimates at Taldybulak were prepared by Julian Woodcock (Chief Geologist, Orsu) and under the supervision of Matthew Boyes (Mineral Resources Manager, Orsu), a 'qualified person' (as defined by National Instrument 43-101). These results were also reviewed and approved by Wardell Armstrong International ("WAI"). However, WAI has relied upon the data presented by Lero in formulating its opinion. WAI's complete technical report respecting the mineral resource estimates at Taldybulak (entitled "Technical Report on the Exploration Licences Held by Lero Gold Corporation In Kyrgyzstan & Kazakhstan, Central Asia" and dated May 2008) can be viewed on [www.sedar.com](http://www.sedar.com). Further discussion about the Talas licence area can be found in the Review of Operations.
- **Tokhtazan Exploration Licence Area, Kyrgyzstan** - The Tokhtazan exploration licence area is located in the Jalal-Abad Oblast, western Kyrgyzstan and is covered by two exploration licences, Akdjol and Tokhtazan. Access to the deposit is via the main Bishkek-Osh bitumen road for 400 km, then 14km on a gravel road. Further discussion about the Tokhtazan licence area can be found in the Review of Operations
- **Karchiga Copper Project, Kazakhstan** – The ("Karchiga" or the "Karchiga Project") 47.3km<sup>2</sup> exploration licence contains the Karchiga VMS deposit. The Karchiga copper-gold deposit is located in the extreme northeast of the Republic of Kazakhstan, within 40km of the Chinese border and within the Rudny Altai belt which is ranked in the top four VMS belts in the world. In April 2008, the Company released a National Instrument 43-101 mineral resource estimate. The mineral resource estimate at Karchiga was prepared by Matthew Boyes (Mineral Resources Manager, Orsu), a "qualified person" (as defined by National Instrument 43-101). The mineral resource estimation methodology was reviewed by WAI. Assays were conducted at the internationally certified Alex Stewart Lab in Bishkek, Kyrgyzstan. Orsu operates a stringent QA/QC policy that includes external certified standard samples and blanks in each individual batch sent for analysis. WAI's complete technical report respecting the mineral resource estimates at Karchiga (entitled "Technical Report on the Exploration Licences Held by Lero Gold Corporation In Kyrgyzstan & Kazakhstan, Central Asia" and dated May 2008) can be viewed on [www.sedar.com](http://www.sedar.com). Further discussion about the Karchiga Project can be found in the Review of Operations.



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### **Qualified Person**

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

## **REVIEW OF OPERATIONS**

### **VARVARINSKOYE GOLD-COPPER MINE, KAZAKHSTAN**

Until the date of the Varvarinskoye Project sale on October 30, 2009, Orsu continued operations at Varvarinskoye.

The Varvarinskoye Project is located 130 km southwest of Kostanai in northern Kazakhstan. The mine produces for sale gold doré and copper-gold concentrate.

### **Mining and Processing Operations**

Gold production during the third quarter of 2009 was less than that produced in previous quarter with 470,192 grams or just more than 15,000 troy ounces. Limitations in throughput caused by design deficiencies continue to limit Varvarinskoye’s gold production. During the third quarter of 2009, copper production was recorded at 1,266 tonnes contained in concentrate which was lower than previous quarter due to lower feed grade than budget. In September 2009 the processing switched collector reagents as a result of lack of inventory which affected the flotation recovery and concentrate grade.

During the third quarter of 2009, the plant faced higher soluble copper content in the leach feed which reduced leach Au recovery and increased cyanide consumption. With the increase in cyanide consumption there was also an increase in the use of peroxide.

Mining during the third quarter of 2009 continued to be hampered by poor availability of equipment. In addition to the two large RH120 excavators being down a total of 565 hours, the 992 loader and the 385 excavators were also down a total of 1,416 hours, so reducing the availability of the loading fleet by 23%. Major repairs and overhauls were conducted on all of these units. Availability of trucks was also low during the quarter due to a lack of available replacement tires. Drilling availability during the quarter was 85%. Two new DM30 blast hole drills were commissioned during the quarter, the first in mid July and the second in early September.

### **Third Quarter 2009 Production**

During the third quarter of 2009, the plant processed a total of 803,199 tonnes of ore.

A total of 470,192 grams (15,117 troy oz) of gold was produced during the third quarter of 2009, compared to 527,634 grams (16,964 troy oz) in the second quarter of 2009. Gold grade of feed to the flotation circuit during the third quarter of 2009 was 1.21 g/t compared to 1.25 g/t in the second. Copper production during the third quarter was 1,266 tonnes compared to 1,547 tonnes in the second quarter. Copper feed grade to the flotation circuit was 0.75% during the quarter compared to 0.98% in the second quarter. Gold feed grade to the leach circuit was 0.78 g/t in the quarter compared to 0.88 g/t in the second quarter.

**Table 1: Varvarinskoye Operating Statistics:**

<b>Varvarinskoye Production</b>	<b>3<sup>rd</sup> Quarter 2009</b>	<b>2<sup>nd</sup> Quarter 2009</b>	<b>1<sup>st</sup> Quarter 2009</b>	<b>4<sup>th</sup> Quarter 2008</b>	<b>3<sup>rd</sup> Quarter 2008</b>	<b>2<sup>nd</sup> Quarter 2008</b>	<b>1<sup>st</sup> Quarter 2008</b>
<b>Mining</b>							
Total mined tonnes	<b>5,480,300</b>	4,256,358	3,672,800	4,281,200	3,930,900	2,319,200	2,738,400
<b>Processing</b>							
<b>Flotation</b>							
Processed tonnes	<b>218,046</b>	188,695	239,994	295,663	187,603	184,948	62,698
Grade Cu %	<b>0.75%</b>	0.98%	0.91%	0.84%	0.72%	0.99%	0.46%
Grade Au g/t	<b>1.21</b>	1.25	1.21	1.09	1.11	1.64	0.66
Recovery Cu to concentrate %	<b>76.95%</b>	83.5%	80.2%	79.3%	82.0%	68.9%	57.6%
Recovery Au to concentrate %	<b>55.78%</b>	59.2%	50.7%	49.5%	59.0%	51.3%	49.9%
<b>Leach</b>							
Processed tonnes	<b>585,153</b>	590,097	380,513	391,164	581,060	449,537	173,308
Grade Au g/t	<b>0.78</b>	0.88	0.94	0.83	0.61	0.60	0.79
Recovery Au (onto carbon) %	<b>71.1%</b>	73.1%	75.1%	74.3%	69.5%	66.3%	68.6%
<b>Metal Produced</b>							
Concentrate tonnes	<b>7,049</b>	7,779	9,608	10,334	6,036	6,497	1,105
Cu recovered to concentrate tonnes	<b>1,266</b>	1,547	1,743	1,962	1,106	1,259	166
Total gold produced grams	<b>470,192</b>	527,634	423,627	416,175	375,022	349,522	122,979
Total gold produced ounces	<b>15,117</b>	16,964	13,620	13,380	12,057	11,237	3,954

### Low Cost Project Upgrade

The Company had planned to expand the Varvarinskoye processing plant during 2009 with the addition of a secondary low cost screening and crushing plant which was expected to significantly increase throughput in the leach and flotation grinding circuits. However, no progress has been made on the project to date due to a lack of available capital funds needed to progress it, as well as the pending sale of Varvarinskoye to Polymetal. Construction of the project has, accordingly, been suspended. This suspension will have an impact on forward-looking gold and copper production.



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

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

### **TALAS EXPLORATION LICENCE AREA, KYRGYZSTAN**

The Talas exploration area comprises the core assets of the Company in Kyrgyzstan including the Taldybulak-Talas, Kentash, Barkol and Korgontash licences. The primary exploration property is the Taldybulak-Talas licence, hosting a copper-gold porphyry system.

For avoidance of confusion;

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

### **TALDYBULAK-TALAS LICENCE (100% owned by Orsu via Talas Copper Gold LLP)**

#### **Targeted Mineralisation**

Copper-gold porphyry and high sulphidation gold mineralisation is associated with Late Ordovician dioritic-dacitic stocks, intruding Lower Ordovician intermediate volcanics. The Taldybulak-Talas copper-gold porphyry deposit was discovered during the Soviet era, but had been subject to limited exploration.

#### **Gold Fields Exploration Partnership**

On 3 December 2008 Orsu announced the signing of a joint venture agreement (the "JV agreement") with Gold Fields for the further exploration and development of the Talas licence area, north west Kyrgyzstan. Gold Fields has become the project operator and Gold Fields has reimbursed Orsu for all exploration expenditures incurred since March 2008 (approximately \$3.5 million), as part of the agreed program and budget.

Under the JV agreement, Gold Fields has the right to:

- During Phase One: earn up to a 60% interest in the joint venture company which is the indirect owner of the Taldybulak-Talas, Barkol, Kentash and Korgontash properties in the Talas region by funding exploration expenditures of CAD\$10 million;
- During Phase Two: increase its effective interest in the project by a further 10% (to a total of 70%) by funding the lesser of (i) exploration expenditures of up to a further CAD\$10 million, or (ii) exploration expenditures required to complete a feasibility study, pursuant to approved programmes and budgets; and
- After Phase Two: act as lead arranger to obtain any further project financing for the project development, for which Gold Fields will receive a 1.5% arrangement fee. Gold Fields and Orsu will otherwise contribute to the project requirements on a pro-rata basis through to project development.

Phase One will conclude no later than 13 August, 2010. During Phase One, the funding will be focused on exploration work in all Talas licence areas with an emphasis on further defining known mineralised systems and their strike extensions. In addition, Gold Fields is due to complete an in-house scoping study of the Taldybulak-Talas deposit in the Taldybulak licence during 2009. Phase Two will continue for an additional period of up to three years after completion of Phase One and will include the provision to include additional mineral resources in the case of further exploration success in the Talas project area.

### Exploration Update

The previously announced 2008 / 2009 drilling programme, which is intended to better delineate the extent and geometry at Taldybulak Central and assess the additional tonnage potential through the testing of peripheral targets of the central high grade core, was fulfilled. An overall exploration expenditure of CAD\$7.8 million budgeted for the exploration of the Talas exploration area in 2009 was funded by Gold Fields.

**Table 2: Proposed 2008-2009 Drilling Programme Within the Taldybulak-Talas Exploration Licences**

Licence Area	Purpose	Target	Proposed Metres
Taldybulak	Drill out	Taldybulak Central	7,000m
	Exploration	Taldybulak West extension & Taldybulak Central deeps	2,000m
	Exploration	Taldybulak East	2,000m
Barkol	Exploration	Taldybulak West IP Anomaly	3,000m
Kentash	Exploration	Taldybulak East extension in to Mag & IP Anomaly	800m
	Exploration	Lower Kentash (Dzhangiturmish SE extension) SW Soils & IP Anomaly	1,000m
	Exploration	Kokkiya	400m
Korgontash	Exploration	Tokhtonnisai	800m
<b>TOTAL</b>			<b>17,000m</b>

As of 31 July 2009, 19,772.3m have been drilled from AFE1 representing 116% of the planned 17,000m.

In August 2009, Gold Fields committed additional expenditure of US\$2.77 million to complete its Phase One earn-in into the project, which is expected to be completed during Q1 2010. As at September 27, 2009, 2,241.2m have been drilled from AFE2 representing 60% of the additionally planned 3,750m. The total drilling during the JV programme is 22013.5 m.

Table 3 below shows some of the best intercepts of infill drilling for the central part of the Taldybulak-Talas porphyry system during Q3 2009.

**Table 3: Significant intersections received in August and September 2009 (Composited using 0.3g/t Au cut-off, minimum thickness of 20m, max internal waste 15m).**

Drill Hole	From (m)	To (m)	Length (m)	Au g/t	Cu%
TB0040	128.0	166.0	38.0	0.76	0.36
TB0040	186.0	274.0	88.0	1.51	0.20
TB0040	308.00	506.00	197.93	1.83	0.26
TB0062	502.0	652.0	150.0	0.73	0.23
TB0062	678.0	784.0	106.0	0.84	0.10
TB0068	32.0	150.0	118.0	1.45	0.27
TB0068	188.0	214.0	26.0	0.69	0.03
TB0068	254.0	460.0	206.0	1.05	0.17
TB0069	430.0	598.0	168.0	0.97	0.22



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10 metallurgical samples were collected and prepared and 1.5 tonnes of material delivered to Dawson's Metallurgical Labs in Salt Lake City, USA. Results expected in Q4 2009.

## **BARKOL LICENCE**

**(100% owned by Orsu via Talas Copper Gold LLP)**

### **Targeted Mineralisation**

Copper-gold porphyry mineralisation

### **Exploration Update**

During Q3 2009, the Company undertook limited drill testing within the Barkol licence area. During Q3 2009, the Company has initiated scout drilling on the Quartz Ridge target which is a 50m wide x 400m long ridge of quartz veins and stockwork with rock chip assays in the 1-10 g/t Au range. Orsu will provide an update in due course.

Regional exploration work was undertaken within Q2 and Q3 2009 and included the assessment of several new exploration prospects within the Barkol licence. Several new valid prospects were recognised within the north western corner of the Barkol-Chonur area and occur in the same structure as the Taldybulak prospect.

## **KORGONTASH LICENCE**

**(100% owned by Orsu via Talas Copper Gold LLP)**

### **Targeted Mineralisation**

Palaeozoic copper-gold porphyry and associated skarn and quartz vein hosted mineralisation.

### **Exploration Update**

In the third quarter of 2009, the Company has mobilised the drill rig to the Korgontash licence and started drilling the Tokhtonnisai prospect, aiming to test potential porphyry mineralisation underneath Cu-Au skarn, exposed at the surface.

## **KENTASH LICENCE**

**(100% owned by Orsu via Talas Copper Gold LLP)**

### **Targeted Mineralisation**

Palaeozoic copper-gold porphyry and associated skarn and quartz vein hosted mineralisation.

### **Exploration Update**

Limited work has been performed on the Kentash licence to date, however stream sediment geochemistry completed during 2006 returned high copper and gold values, indicating potential for further occurrences of mineralisation along the corridor linking Andash and Taldybulak.

During 2007 Lero completed a widely-spaced soil geochemical survey over the entire Kentash licence which returned gold, copper and molybdenum anomalies within three areas. In addition, a widely-spaced IP survey during 2007 revealed chargeability anomalies in the central part of the licence. These anomalies are due to be further assessed during 2009.

During the third quarter of 2008 three pole-dipole induced polarisation ("PD-IP") lines totalling 9.55 km were completed in the Kentash licence over the southwest anomaly. At the end of the fourth quarter 2008 assays were received for Kentash soil sampling programme. A comprehensive review is due to be undertaken during 2009 to ascertain if any new geochemical targets can be identified. During Q1 2009, the Company undertook limited drill testing of the licence area, totalling 506 m to test the geophysical anomaly.



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## **TOKHTAZAN EXPLORATION LICENCE AREA, KYRGYZSTAN**

### **Tokhtazan Licence**

**(100% owned by Orsu via Oriel in Kyrgyzstan LLP)**

#### **Exploration Update**

Within the 2008 / 2009 exploration programme, works undertaken within the Tokhtazan licence included 1,540m<sup>3</sup> of trenching and road cutting, with 640 samples being collected.

In total, 3,102 samples have been delivered to the Alex Stewart laboratory (Karabalta, Kyrgyzstan) for analysis. All core drilled has been sampled and all results received for diamond drilling.

An exploration programme including trenching, geophysics and RC drilling, is currently being implemented for the Tokhtazan project area. In 2009, the Company has a work commitment to drill 2,200m within the licence.

### **Akdjol Licence**

**(100% owned by Orsu via Oriel in Kyrgyzstan LLP)**

#### **Exploration Update**

An exploration programme including trenching, geophysics and drilling, is being implemented for the Akdjol project area. In 2009, the Company has a work commitment to drill 1,000m within the licence.

As at the date of the MD&A, the Company has cut seven main and four short trenches with a total length of 591m (4,000m<sup>3</sup>). A total of 510 channel samples (5x10cm) have been collected.

The trenching tested the outcropping part of mineralisation over 230m along the strike, at 40m to 60m apart. Within this zone, there are three visually distinctive areas of epithermal style hydro-thermal alteration. Trench 3 has intercepted a visually recognisable mineralised zone with actual thickness of approximately 15m, whereas at the same location earlier works showed three ore bodies, each 2m to 3m thick. In addition, within the conglomerate horizon there is an apparent zone of intensive silicification with disseminated pyrite and galenite, with visible thickness of 5m to 8m. Characteristics and dimensions of this zone will be studied during further exploration work.

Assessment of the gold mineralisation zone along the strike is hampered by 4m to 5m of thick loose material. This area also coincides with another geophysical anomaly discovered during July 2009. The entire visually recognizable footprint of the Akjol hydrothermal alteration is 700 m long and up to 50 m wide.

Drilling is scheduled to commence in October 2009.



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## **KARCHIGA EXPLORATION LICENCE, KAZAKHSTAN**

**Karchiga Project**  
**(70% owned by Orsu via GRK MLD LLP)**

### **Targeted Mineralisation**

Copper VMS

### **Exploration Update**

Drilling works within the 2008 / 2009 exploration programme focused on the Central and North East lodes of the Karchiga Project. The primary scope of the 2008 / 2009 programme is designed to upgrade the previously reported mineral resource estimate at the Karchiga Project to Measured and Indicated categories under National Instrument 43-101.

Further to information provided within the second quarter 2009 MD&A, metallurgical test work on Karchiga sulphide ores is continuing. Ninety eight samples have been retaken to repeat internal geological control assays, where discrepancies with the primary results were discovered. These 98 samples have been resent to the Alex Stewart Lab in Kara Balta and the results have been received and processed. The assays showed good precision of the primary and control results for all grades of copper, zinc, gold, silver, cobalt and cadmium in all grades.

Results of the geochemical sample analysis carried out to verify barren areas showed elevated Cu grades (over 0.1%). Core samples from these intervals were sent for chemical analysis and only 12 out of 60 samples showed Cu grades of over 0.3% (from 0.35 to 0.75%). All the intervals are contained within the oxide zone and have no effect on the earlier designed model of the deposit.

To satisfy State Reserve Commission of Kazakhstan (GKZ) requirements, VNIITsvetmet, an Ust-Kamenogorsk-based institute, has been tasked with undertaking external geological control of the assays for copper, zinc, gold, silver, cobalt and cadmium in 352 samples from Karchiga, primarily assayed in the Alex Stewart Lab.

The Company is also undertaking all necessary works for local resource approval in Kazakhstan.

The scheduled seasonal hydrological works were completed at Karchiga in September. Twelve water samples have been taken from drill-holes and surface springs and the ground water level has been measured in 68 holes. All samples have been sent for assaying.



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**Orsu Metals Corporation**  
**Consolidated Balance Sheets**  
**For the Period Ended 30 September 2009 (Unaudited) and 2008**

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	September 30, 2009 \$	December 31, 2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	745	6,200
Other assets	1,685	1,296
Current assets related to discontinued operations	<u>25,006</u>	<u>26,280</u>
	27,436	33,776
<b>Property, plant and equipment</b>	28,346	28,827
<b>Net investment in oil and gas residual interests</b>	884	884
<b>Long term assets related to discontinued operations</b>	<u>48,177</u>	<u>43,170</u>
	<u>104,843</u>	<u>106,657</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,790	2,644
Current liabilities related to discontinued operations	<u>203,814</u>	<u>99,768</u>
	207,604	102,412
<b>Future income tax</b>	6,877	6,877
<b>Long term liabilities related to discontinued operations</b>	<u>13,925</u>	<u>106,130</u>
	<u>228,406</u>	<u>215,419</u>
<b>Shareholders' Deficiency</b>		
Share capital	361,440	361,440
Share purchase warrants	48,650	48,650
Share purchase options	17,176	19,000
Contributed surplus	6,512	2,715
Deficit	<u>(557,341)</u>	<u>(540,567)</u>
	<u>(123,563)</u>	<u>(108,762)</u>
	<u>104,843</u>	<u>106,657</u>



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**Orsu Metals Corporation**  
**Consolidated Statements of Operations, Comprehensive Loss and Deficit**  
**For the Period Ended 30 September 2009 and 2008 (Unaudited)**

	Three months ended		Nine months ended	
	2009	September 30 2008 <i>(Restated see</i>	2009	September 30 2008 <i>(Restated see</i>
	\$	\$	\$	\$
<b>(Expenses) / income</b>				
General and administrative	(1,694)	(1,377)	(5,768)	(10,595)
Exploration	(639)	(2,971)	(1,012)	(3,030)
Stock-based compensation	(411)	(1,497)	(1,973)	(1,744)
Interest expense	(227)	(9)	(268)	(213)
Interest income	197	129	235	214
Foreign exchange gains/ (losses)	113	16	45	(341)
<b>Loss from continuing operations</b>	<b>(2,661)</b>	<b>(5,709)</b>	<b>(8,741)</b>	<b>(15,709)</b>
Income tax	-	(44)	-	(44)
<b>Net (loss) from continuing operations</b>	<b>(2,661)</b>	<b>(5,753)</b>	<b>(8,741)</b>	<b>(15,753)</b>
<b>Net (loss)/ profit from discontinued operations</b>	<b>(21,076)</b>	<b>1,720</b>	<b>(40,576)</b>	<b>(43,267)</b>
<b>(Loss) and comprehensive (loss) for the period</b>	<b>(23,737)</b>	<b>(4,033)</b>	<b>(49,317)</b>	<b>(59,020)</b>
<b>Deficit - Beginning of period – as previously stated</b>	<b>(533,604)</b>	<b>(272,942)</b>	<b>(540,567)</b>	<b>(217,955)</b>
Adjustment on adoption of EIC 173	-	-	32,543	-
<b>Deficit - Beginning of period – Restated</b>	<b>(533,604)</b>	<b>-</b>	<b>(508,024)</b>	<b>(217,955)</b>
<b>Deficit - End of period</b>	<b>(557,341)</b>	<b>(276,975)</b>	<b>(557,341)</b>	<b>(276,975)</b>
<b>(Loss) per common share</b>				
(Loss) per common share from Continued Operations	<b>\$(0.01)</b>	\$(0.02)	<b>\$(0.02)</b>	\$(0.05)
(Loss) per common share including Discontinued Operations	<b>\$(0.05)</b>	\$(0.01)	<b>\$(0.11)</b>	\$(0.19)
<b>Weighted average number of common shares</b>				
Basic and diluted	<b>456,959</b>	310,152	<b>456,959</b>	310,152



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**Orsu Metals Corporation**  
**Consolidated Statements of Cash Flows**  
**For the Period Ended 30 September 2009 and 2008 (Unaudited)**

	Three months to September 30		Nine months to September 30	
	2009	2008	2009	2008
<b>Cash flows from continuing operating activities</b>	\$	\$	\$	\$
Net (loss) for the period from continuing activities	(2,661)	(5,753)	(8,741)	(15,753)
Items not affecting cash				
Depreciation, amortization and deferred finance charges	70	33	173	55
Stock-based compensation	412	1,579	1,973	1,744
Unrealized foreign exchange gain	-	(562)	-	-
Accrued interest income	-	(200)	-	-
Warrants issued to agents	-	-	-	186
	(2,179)	(4,903)	(6,595)	(13,768)
Change in non-cash working capital				
Increase in accounts receivable and other assets	(120)	(1,049)	(395)	(909)
Increase in accounts payable and accrued liabilities	919	(3,896)	1,970	(341)
<b>Cash flows used in continuing operations</b>	<b>(1,380)</b>	<b>(9,848)</b>	<b>(5,020)</b>	<b>(15,018)</b>
<b>Cash flows (used)/ from investing activities</b>				
Expenditures on property, plant and equipment	(175)	-	(435)	-
Acquisition of Lero, net of cash acquired	-	577	-	21,611
<b>Cash flows used in investing activities</b>	<b>(175)</b>	<b>577</b>	<b>(435)</b>	<b>21,611</b>
<b>Cash flows from/ (used) in financing activities</b>				
Proceeds from exercise of stock options	-	102	-	1,324
Proceeds from debt	-	-	-	5,000
Funding to discontinued operations	-	(3,145)	-	(38,990)
Lero cash advances to EMC pre-acquisition	-	-	-	25,000
Repayment of debt	-	-	-	(5,000)
<b>Cash flows from/ (used) in financing activities</b>	<b>-</b>	<b>(3,043)</b>	<b>-</b>	<b>(12,666)</b>
<b><u>(Decrease) increase in cash and cash equivalents from operations :-</u></b>				
<b>Continuing operations</b>	<b>(1,555)</b>	<b>(12,314)</b>	<b>(5,455)</b>	<b>(6,073)</b>
Discontinued operations	(1,998)	(4,342)	1,121	(1,326)
<b><u>Cash and cash equivalents - Beginning of period:-</u></b>				
<b>Continuing operations</b>	<b>2,300</b>	<b>29,046</b>	<b>6,200</b>	<b>22,805</b>
Discontinued operations	4,693	5,461	1,574	2,445
<b><u>Cash and cash equivalents - End of period :-</u></b>				
<b>Continuing operations</b>	<b>745</b>	<b>16,732</b>	<b>745</b>	<b>16,732</b>
Discontinued operations	2,695	1,119	2,695	1,119
<b>Consolidated cash and cash equivalents at end of period</b>	<b>3,440</b>	<b>17,851</b>	<b>3,440</b>	<b>17,851</b>



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## **FORWARD-LOOKING INFORMATION**

The MD&A contains or refers to forward-looking information. All information, other than information regarding historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Such forward-looking information includes, without limitation, the final amount of advisory, legal and other costs arising from the sale of the Varvarinskoye project and the amount of deferred consideration that may be payable to the Company by Polymetal pursuant to the sale of the Varvarinskoye Project; the Company's intended use of the proceeds raised from the sale of the Varvarinskoye Project; the anticipated timing for completion of the Taldybulak-Talas scoping study; completion of the follow-up work at Korgontash; the expected timing of the commencement of investigations of the anomalies identified at Barkol and Kentash; development and operational plans and objectives; the Company's expectation of financial support and the timing amount and use of same with respect to the joint venture agreement Gold Fields with respect to the Barkol, Kentash, Taldybulak and Korgontash licences; the potential for additional mineralisation and deep-seated magnetic (intrusion) at Korgontash; the proposed work programs for the Company's exploration properties and their respective timing; the proposed meters to be drilled at Taldybulak; the potential for further occurrences of mineralization at Kentash; the planned comprehensive review at Kentash to determine if new geochemical targets can be identified; expectations regarding the upgrading of the mineral resource categories of the Karchiga Project to Measured and Indicated; the potential for a joint venture with Gold Fields; the timing and planned provision of an update regarding metallurgical test-work at Karchiga; current long-term copper and gold pricing forecasts; the impact of certain changes in accounting policies; estimates relating to critical accounting policies; the Company's plans with respect to the conversion to IFRS, including the Company's expected timing for implementing same and the development of an effective plan; the continuation of assessments relating to resource and training requirements; the Company's plans with respect to the preparation of more complete disclosure of the implementation of IFRS exceptions and exemptions as well as the impact of IFRS on amongst other things the Company's accounting policies, information technology and data systems; and the Company's plans for adopting and/or implementing changes to accounting policies; and the Company's expectations with respect to pursuing new opportunities.

The forward-looking information in the MD&A reflects the current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward looking information contained in the MD&A, the Company has made assumptions regarding, among other things, the treatment of the Varvarinskoye Project as discontinued operations, the Company's ability to generate sufficient cash flow from operations and capital markets to meet its future obligations following the disposition of the Varvarinskoye Project, the effectiveness of the Company's design relating to the implementation, the duration of the Company's financial instruments and other assumptions relating to the Company's critical accounting policies, the regulatory framework in Kazakhstan and Kyrgyzstan with respect to, among other things, permits, licences, authorisations, royalties, taxes and environmental matters, and the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

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

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to the nature of mineral exploration and mining; capital and operating costs varying significantly from estimates; inflation; changes in exchange and interest rates; adverse changes in commodity prices; the ability to obtain required financing; adverse general market conditions; inability to delineate additional mineral resources or reserves; future unforeseen liabilities and other factors including, but not limited to, those listed under "Risk and Uncertainties" in the MD&A.

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



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future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Any mineral resource figures referred to in the MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the mineral resource estimates in respect of its properties are well established, by their nature mineral resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such mineral reserve estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Additional information about the risks and uncertainties of the Company's business is provided in its disclosure materials, including its Annual Information Form, dated April 24, 2009 (the "Annual Information Form") available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**ENDS**

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