

# **Orsu Metals Corporation**

Consolidated Financial Statements  
**March 31, 2009 and 2008**  
(in thousands of US dollars)

## **Notice to Reader**

The accompanying unaudited consolidated financial statements of Orsu Metals Corporation (“the Company”) have been prepared by and are the responsibility of the Company’s Management. The Company’s independent auditor has not performed a review of the Company’s unaudited interim consolidated financial statements as at, and for the quarter ended March 31 2009.

All the figures are presented in US (\$) dollars, unless stated in Canadian dollars which is shown by CAD(\$).

# Orsu Metals Corporation

## Consolidated Balance Sheets

As at March 31, 2009 (Unaudited) and December 31 2008

(in thousands of US dollars)

	March 31 2009 \$	December 31 2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,415	7,774
Inventory (note 5)	10,212	21,461
Accounts receivable	46	507
Other assets (note 6)	5,047	4,034
	<b>19,720</b>	<b>33,776</b>
<b>Other assets</b> (note 6)	<b>15,605</b>	<b>19,688</b>
<b>Inventory</b> (note 5)	<b>16,913</b>	<b>6,419</b>
<b>Restricted cash</b>	<b>85</b>	<b>142</b>
<b>Property, plant and equipment</b> (note 8)	<b>45,606</b>	<b>45,748</b>
<b>Net investment in oil and gas residual interests</b> (note 9)	<b>884</b>	<b>884</b>
	<b>98,813</b>	<b>106,657</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 18)	26,537	24,440
Current portion of long-term debt (note 10)	55,636	53,751
Current portion of derivative liabilities (note 11)	99,944	24,221
	<b>182,117</b>	<b>102,412</b>
<b>Derivative liabilities</b> (note 11)	<b>-</b>	<b>92,773</b>
<b>Future income tax</b>	<b>6,877</b>	<b>6,877</b>
<b>Asset retirement obligations</b> (note 12)	<b>13,544</b>	<b>13,357</b>
	<b>202,538</b>	<b>215,419</b>
<b>Shareholders' (Deficiency) Equity</b>		
<b>Share capital</b> (note 13(a))	<b>361,440</b>	<b>361,440</b>
<b>Share purchase warrants</b> (note 13(b))	<b>48,650</b>	<b>48,650</b>
<b>Share purchase options</b> (note 13(c))	<b>19,631</b>	<b>19,000</b>
<b>Contributed surplus</b> (note 15)	<b>2,863</b>	<b>2,715</b>
<b>Deficit</b>	<b>(536,309)</b>	<b>(540,567)</b>
	<b>(103,725)</b>	<b>(108,762)</b>
	<b>98,813</b>	<b>106,657</b>
<b>Going concern</b> (note 2)		
<b>Measurement uncertainty</b> (note 8)		
<b>Commitments</b> (note 16)		
<b>Contingencies</b> (note 19)		

# Orsu Metals Corporation

Consolidated Statements of Operations, Comprehensive Loss and Deficit  
For the periods ended March 31, 2009 and March 31, 2008 (unaudited)  
(in thousands of US dollars)

	Three months ended March 31	
	2009	2008
	\$	<i>(Restated see note 4)</i>
		\$
<b>Sales revenues</b>		
Gold	7,898	2,270
Copper	1,898	-
	<b>9,796</b>	<b>2,270</b>
<b>Cost of sales</b>		
Operating expenses	(10,646)	(925)
Selling and distribution costs	(382)	(48)
Depreciation, depletion and amortization (note 8)	(142)	(3,802)
Accretion	(187)	-
	<b>(11,357)</b>	<b>(4,775)</b>
<b>Other (expenses) income</b>		
Unrealized derivative losses (note 11)	(7,808)	(22,214)
Realized derivative losses (note 11)	(7,685)	(6,251)
General and administrative	(2,854)	(2,729)
Exploration (note 21)	(215)	(432)
Stock-based compensation (note 14)	(780)	(138)
Interest expense	(2,970)	(2,955)
Interest income	7	204
Foreign exchange losses	(3,054)	(926)
Mineral extraction tax	(1,365)	-
	<b>(26,724)</b>	<b>(35,441)</b>
<b>Loss before income taxes</b>	<b>(28,285)</b>	<b>(37,946)</b>
<b>Recovery of income taxes</b>	<b>-</b>	<b>-</b>
<b>Loss and comprehensive loss for the period</b>	<b>(28,285)</b>	<b>(37,946)</b>
<b>Deficit - Beginning of period – as previously stated</b>	<b>(540,567)</b>	<b>(217,955)</b>
Adjustment on adoption of EIC 173 (note 4)	32,543	-
<b>Deficit - Beginning of period – Restated</b>	<b>(508,024)</b>	<b>(217,955)</b>
<b>Deficit - End of period</b>	<b>(536,309)</b>	<b>(255,901)</b>
<b>Loss per common share</b>	<b>\$ (0.06)</b>	<b>\$ (0.13)</b>
<b>Weighted average number of common shares</b>		
Basic and diluted	456,959	303,329

The accompanying notes are an integral part of these consolidated financial statements.

**Orsu Metals Corporation**  
**Consolidated Statements of Cash Flows**  
**For the periods ended March 31, 2009 and March 31, 2008 (unaudited)**

(in thousands of US dollars)

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the year	(28,285)	(37,946)
Items not affecting cash		
Depreciation, amortization and deferred finance charges	2,599	3,802
Realized and unrealized derivative losses (note 11)	15,493	22,214
Stock-based compensation (note 14)	780	138
Unrealized foreign exchange loss	3,983	684
Inventory write-downs (note 5)	6,488	-
Mineral extraction tax	1,365	-
	<b>2,423</b>	<b>(11,108)</b>
Change in non-cash working capital		
Increase in inventories (note 5)	(5,729)	(8,995)
Decrease in contractor advances	-	-
Increase in accounts receivable and other assets	(937)	203
Increase in accounts payable and accrued liabilities	827	657
	<b>(3,416)</b>	<b>(19,243)</b>
<b>Cash flows from investing activities</b>		
Expenditures on property, plant and equipment	-	(516)
Restricted cash	57	56
Recovery of net investment in oil and gas residual interests	-	329
	<b>57</b>	<b>(131)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options (note 13(c))	-	990
Proceeds from long-term debt	-	127
Deferred financing costs	-	(229)
	<b>-</b>	<b>888</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(3,359)</b>	<b>(18,486)</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>7,774</b>	<b>25,250</b>
<b>Cash and cash equivalents - End of period</b>	<b>4,415</b>	<b>6,764</b>

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

**For the period ended March 31, 2009 (Unaudited)**

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## **1 Nature of operations**

Orsu Metals Corporation (“Orsu” or the “Company”, formerly European Minerals Corporation or “EMC”) is a dual listed (AIM: OSU, TSX: OSU) base and precious metal mining, production, exploration and development company, with its head office in London, which is operating the Varvarinskoye open pit gold-copper mine in northern Kazakhstan (“Varvarinskoye”) and exploring gold and copper deposits in the Kyrgyz Republic and the Republic of Kazakhstan.

Varvarinskoye is an operating asset producing gold dore and copper-gold concentrate. Through its acquisition of Lero, the Company also acquired interests in mineral exploration licences for various areas within Kyrgyzstan and Kazakhstan including the Talas Project in northwest Kyrgyzstan.

On December 3, 2008 the Company entered into an agreement with Goldfields Orogen Holdings BVI Limited (“Gold Fields”) to further develop the Taldybulak-Talas property. Under the agreement Gold Fields became the project operator and has right to earn up to a 70% stake in the Talas property. For the three months ended March 31, 2008 Gold Fields had funded \$1.6 million for the project. Gold Fields had not earned any stake in the Talas property as at March 31, 2009.

Prior to signing the JV Agreement (and prior to the Company’s acquisition of Lero Gold Corporation, “Lero” on June 19, 2008), Gold Fields participated in three private placement financings with Lero and currently holds a total of 11,349,195 common shares of Orsu, or 2.46% of the total issued common shares of Orsu.

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## 2 Going concern

While these financial statements have been prepared using Canadian generally accepted accounting principles (“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 become due and, accordingly, the appropriateness of using accounting principles applicable to going concern.

At March 31, 2009, the Company had a working capital deficit of \$162.4 million, (December 31, 2008 - working capital deficit of \$68.7 million), accumulated losses of \$536 million (December 31, 2008 - \$541 million) and shareholders’ deficiency of \$103 million (2008 - shareholders’ deficiency of \$109 million). At March 31, 2009 the Company was in default on payments as they fell due under the gold forward contract obligations and the hedge counterparties are 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 March 31, 2009, contributing to the increase in the Company’s working capital deficit as at March 31, 2009 compared with December 31, 2008. In addition, the company is subject to commitments and contingencies as set out in notes 16 and 19.

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 has been reduced from 14 years to 8 years with a significant reduction in estimated contained copper and gold metals. Coupled with management’s current long-term copper and gold pricing forecasts, the Company’s revised mineral reserve and mineral resource estimates for Varvarinskoye create 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 repayment tranche under the long-term debt facility of \$16.65 million due on December 31, 2008, and payment of the first tranche remains outstanding. 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 has been obtained from the Lenders for this breach. The Company is forecasting that, in the absence of additional waivers or modification of the debt terms, it will remain unable to meet its 2009 scheduled repayment obligations, will remain in breach of its repayment terms and its Permitted Indebtedness covenants, and is 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 will entitle the Lenders to demand immediate repayment of all amounts owing (see note 10).

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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At March 31, 2009, the Company had an outstanding future obligation to settle 350,468 ounces of unmargined forward gold sales contracts at a strike price of \$574.25 per ounce, of which contracts for 58,326 ounces are due for settlement during the remainder of 2009. This future obligation has been valued on a credit adjusted mark to market basis at March 31, 2009 at \$92.3 million. The practice of the Company has 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 of: \$2,538,000 due on January 30, 2009, \$2,675,750 due on February 27, 2009, \$2,471,000 due on March 31, 2009 and \$2,261,000 due on April 30, 2009. Under the cross default terms of the debt facility, a default on payments as they fall due under the gold forward contract obligations entitles the Lenders to demand immediate repayment of all amounts owing under the term debt facility and entitles the hedging counterparties to terminate any open derivative positions (see notes 10 and 11).

The Company is currently negotiating with the Lenders to try to restructure the debt facility and gold forward contract obligation terms in such a manner and time period that would allow the Company to meet its obligations as they fall due, including funding of any required future capital expenditures. In the Company's view, the settlement of its future gold forward contract obligations and long-term debt repayments is uncertain until such time as metal prices, and in particular copper prices, have recovered, Varvarinskoye operating costs have been reduced, Varvarinskoye is operating at maximum capacity and the outcome of current refinancing discussions with the Lenders have been concluded. In connection with the breaches of its Permitted Indebtedness covenants, while the Company is taking all possible steps to avoid disruption to essential supplies, management believes that it is unlikely that normal supplier payments and outstanding balances can be restored unless refinancing discussions are concluded on terms favourable to the Company, and unless an additional working capital facility is granted by the Lenders as part of the refinancing. Management considers that if any restructuring or modifications are to be successful, they must include the following as a minimum: the extension of the debt repayment period, an increase in the debt facility of a minimum of \$10 million for working capital purposes and the conversion of short-term gold forward contract obligations into scheduled debt repayments. No conclusion from the Company's current discussions with the Lenders has been reached. To date, the Lenders have not taken, nor indicated that they intend to take, any action in respect of the defaults noted above, due to the ongoing discussions with the Company regarding the renegotiation of the debt facility and gold forward contract obligations. However, while the Company has been successful in the past in the past in renegotiating its debt facility and modifying its debt repayment and forward contract obligation terms, there can be no assurance that it will be successful in the future.

As a separate restructuring alternative, management is also investigating the possibility of disposing of the Varvarinskoye mine and related long-term debt and gold forward contract obligations. Whilst the Company remains in discussion with potential buyers, such discussions are at a preliminary stage and no formalized terms have been agreed. There is no assurance that the Company will be successful in any efforts to restructure or dispose of its current interest in the Varvarinskoye project.

# **Orsu Metals Corporation**

Notes to Consolidated Financial Statements

**For the period ended March 31, 2009 (Unaudited)**

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These financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported revenues and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## 3 Significant accounting policies

### Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared using Canadian generally accepted accounting principles (“GAAP”). All amounts are presented in thousands of United States dollars unless otherwise stated.

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. Variable interest entities (VIE’s), which include, but are not limited to, special purpose entities, trusts, partnerships and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline 15, Consolidation of Variable Interest Entities, are entities in which equity investors do not have the characteristics of a “controlling financial interest” or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIE’s are subject to consolidation by the primary beneficiary, the party who absorbs the majority of the entities’ expected losses and residual returns. The Company considers JSC Varvarinskoye to be a variable interest entity requiring consolidation.

The principal subsidiaries of the Company as at March 31, 2009 which have been consolidated are as follows:

	% interest
Three K Mining and Exploration Limited (“Three K”)	100
JSC Varvarinskoye (“JSCV”)	100
European Minerals (UK) Limited (“EMUK”)	100
Kazminco Oil Limited (“Kazminco”)	100
Lisburne Holdings Limited (“Lisburne”)	55
Althames Exploration Limited (“AEL”)	100
Lero Gold Corporation (“Lero”)	100
Tournon Finance Limited (“Tournon”)	100
Kami Associates Limited (“Kami”)	100
Eildon Enterprises Limited (“Eildon”)	73.9
Oriel In Kyrgyzstan LLP (“OIK”)	100
Talas Copper Gold LLP (“Talas”)	100
GRK MLD LLP (“MLD”)	94.75
Orsu Kazakhstan LLP	100

All intercompany balances and transactions are eliminated upon consolidation.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

**For the period ended March 31, 2009 (Unaudited)**

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### **Use of estimates**

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are used for certain items such as fair values used to establish the purchase price allocation, reserve and production quantities, production costs, depletion, depreciation and amortization, long-lived asset impairment, asset retirement obligation assumptions, stock based compensation and the valuation of derivatives and contingencies.

### **Revenue recognition**

Revenue from sales is based upon the actual or, if applicable, estimated value of metals sold, net of value added tax and refining and treatment charges. Revenue is recognized only once the product has been delivered to the customer, title and risk of ownership have passed, collection is reasonably assured and the price is reasonably determinable.

The Company's copper metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. Revenues are recorded at the time of sale based on forward prices for the expected date of final settlement. As a result, the values of concentrate receivables change as the underlying commodity market prices vary. This component of the contract is an embedded derivative, which is recorded at fair value with changes in fair value recorded in revenue.

### **Cash and cash equivalents**

Cash and cash equivalent balances include cash and short-term deposits with banks or other financial institutions that have an original maturity date of 90 days or less. Cash equivalents have been designated as held-for-trading and are reported on the balance sheet at fair value with changes in their fair value reported in the statement of operations.

### **Inventories**

Product inventories are carried at the lower of cost or net realizable value. Cost is comprised of production costs for ore produced and processed. Production costs include the costs of materials, costs of processing and roasting, direct labour, stock-based compensation, mine site and processing facility overhead costs and depreciation, depletion and amortization. Stripping costs are included in the cost of inventory produced unless the stripping activity can be shown to be a betterment of the mineral property, in which case stripping costs are capitalized. The Company uses the weighted average cost method (based upon the cost of product inventories at normal operating levels) for valuing the cost of product inventory produced and sold.

Material and supplies inventories are carried at the lower of cost or net realizable value.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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Stockpiled ore is measured by estimating the number of tonnes added and removed from the stockpile, the number of contained metal ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

#### **Mineral property and development costs**

Mineral property and development costs represent capitalized expenditures related to the acquisition, exploration and development of mineral properties and related plant and equipment.

The Company recognizes the payment of amounts required under option agreements as an addition or reduction, respectively, in the book value of the property under option when paid or received.

Mining, property and development costs are amortised using the units-of-production method. The assets are amortised based on the amount of ore mined in the period as a percentage of the total recoverable mineral reserves during the life of the mine.

Exploration and associated costs relating to properties for which there is no evidence of economically recoverable mineralization are expensed in the period incurred. Exploration costs relating to properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned, placed into production or becomes impaired.

Commercial production levels are defined by the Company as the earlier of the stage when mining and milling activities are operating at 65% of design capacity for a sustained period for not less than 30 days, or six months from commencement of production. The Company commenced commercial production at Varvarinskoye and recognized operating revenues and expenses for production activities with effect from July 1, 2008. All pre-commercial production operating expenses, including applicable stock compensation costs and interest, have been capitalised as development costs net of pre-commercial production metal revenues.

Expenditures incurred for stripping activity, mine and pit development or reserve development considered to be a betterment of mineral property are capitalized and amortized over the mineral reserves that directly benefit from the specific stripping activity.

The Company reviews and evaluates its mineral property and development assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is considered to exist if the total future undiscounted cash flows are less than the carrying amount of the assets. Estimated future undiscounted cash flows are prepared taking into account estimated future production levels, commodity prices, operating costs, capital costs, reclamation and closure costs.

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If an impairment

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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is identified, the carrying value of the property is written down to its estimated fair value. Although the company has taken steps to verify title to mineral properties in which it has an interest, according to industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

#### Property, plant and equipment

Property, plant and equipment are recorded at cost. Repairs and maintenance expenditures are charged to operations. Major improvements and replacements that extend the useful life of an asset are capitalized.

Mining, property and development costs are amortized using the units-of-production method. The assets are amortized based on the amount of ore mined in the period as a percentage of the total recoverable mineral reserves during the life of the mine.

As mentioned in note 2, "Going Concern", the remaining life of the Varvarinskoye mine is estimated to be 8 years from January 1, 2009. As a result from January 1 2009 the company revised depreciation lives of its assets as set out below:

Building	Straight-line basis over period over 3 to 9 years
Plant and equipment	Straight-line basis over periods from 3 to 9 years
Mining fleet	Units of production method
Vehicles	Straight-line basis from 5 to 7 years
Other	Straight-line basis from 4 to 10 years

#### Net investment in oil and gas residual interests

Sales proceeds and royalties received or receivable are recorded as a reduction to the carrying value of the Company's net investment in oil and gas residual interests.

#### Asset retirement obligations

The Company recognizes the estimated fair value of liabilities for asset retirement obligations, which include reclamation and closure costs, in the period they are incurred. A corresponding addition to the carrying value of the related asset is recorded and depreciated over the life of the related asset. The amount of the liability is subject to re-measurement in each reporting period for changes in the estimated timing or amount of expenditures and is accreted over time to the estimated retirement obligation ultimately payable through charges to operations.

The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, changes in technology and the means and cost of reclamation.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

**For the period ended March 31, 2009 (Unaudited)**

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### **Income taxes**

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

### **Derivative instruments**

All derivative financial instruments are classified as held for trading and are measured at fair value. The fair value of these derivative instruments is adjusted at each balance sheet date with changes in fair value recorded in the determination of net income. Fair value estimates for derivative contracts are based on quoted market prices for comparable contracts and represent the amount the Company would have received from, or paid to, counterparty to unwind the contract at the market rates in effect at the balance sheet date and adjusted for the Company's own credit risk.

### **Incentive stock option plan**

The Company uses the fair value method for accounting for stock-based awards to employees and non-employees. Under the fair value method, compensation expense attributed to the direct award of stock to employees is measured at the fair value of the award at the grant date, using an option pricing model, and is recognized over the vesting period of the award. Compensation expense for non-employees is measured on the earlier of the date at which the counter party's performance is complete, the date the performance commitment is reached, or the date at which equity instruments are granted if they are fully vested and non-forfeitable. If and when the stock options are ultimately exercised, the applicable amounts of additional paid-in capital and contributed surplus are credited to share capital.

### **Earnings (loss) per share**

Earnings (loss) per share are calculated based on the weighted average number of common shares issued and outstanding during the year. Diluted earnings (loss) per common share are calculated using the treasury stock method for outstanding stock options and warrants. Under the treasury stock method, incremental common shares issuable upon the exercise of stock options and warrants are excluded from the computation if their effect is anti-dilutive. In periods in which a loss is incurred, the calculation would be anti-dilutive, in which case basic and diluted loss per share are the same.

# Orsu Metals Corporation

Notes to Consolidated Financial Statements  
For the period ended March 31, 2009 (Unaudited)

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## 4 Accounting changes and accounting policy developments

Effective January 1, 2009, the Company adopted the following new CICA Accounting Standards:

### Accounting changes

#### *Goodwill and intangible assets*

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. In addition, EIC 27 is no longer applicable for companies upon adoption of Section 3064. Section 3064 establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets and provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. This Section is applicable to a company's reporting periods regarding interim and annual financial statements for fiscal years beginning on or after October 1, 2008.

Prior to the adoption of Section 3064, the Company capitalised revenues and expenses for production activities up to June 30, 2008. The Company adopted the revised guidance effective from January 1, 2009 and the impact of adopting this section on a retrospective basis is summarized below for the three months ended March 31, 2008:-

### Consolidated Balance Sheet as at March 31, 2008

	Previously reported as at March 31 2008	Adjustments on adoption of CICA 3064	Restated
Mining property and development costs	35,154	(5,431)	<b>29,723</b>
Property, plant and equipment	203,462	-	<b>203,462</b>
Assets under construction	-	-	-
	<hr/> 238,616	<hr/> (5,431)	<hr/> <b>233,185</b>
Accumulated depreciation	(13,947)	-	<b>(13,947)</b>
	<hr/> <b>224,669</b>	<hr/> <b>(5,431)</b>	<hr/> <b>219,238</b>

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## Consolidated Statements of Operations, Comprehensive Loss and Deficit as at March 31, 2008

	Previously reported as at March 31 2008	Adjustments on adoption of CICA 3064	Restated
<b>Sales revenues</b>			
Gold	-	2,270	<b>2,270</b>
<b>Cost of sales</b>			
Operating expenses	-	(925)	<b>(925)</b>
Selling and distribution costs	-	(48)	<b>(48)</b>
Depreciation	-	(3,802)	<b>(3,802)</b>
<b>Other expenses</b>			
General and administrative	(1,505)	(1,227)	<b>(2,732)</b>
Interest paid	(1,256)	(1,699)	<b>(2,955)</b>
All other expenses	(29,754)	-	<b>(29,754)</b>
	<b>(32,515)</b>	<b>(5,431)</b>	<b>(37,946)</b>
Deficit beginning of year	(217,955)	(5,431)	<b>(255,901)</b>
Basic and diluted loss per share	\$(0.11)	\$(0.02)	<b>\$(0.13)</b>

### New accounting pronouncements

#### *Credit risk and the fair value of financial assets and financial liabilities*

Effective January 1, 2009, the Company adopted EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities (“EIC 173”) which requires that an entity’s own credit risk and the credit risk of the counterparty to a financial instrument should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The guidance requires that the change in accounting be applied at the beginning of the period on a retroactive basis, without restatement of prior periods.

As a result of the implementation of the guidance in EIC-173, the opening deficit and derivative liabilities as at January 1, 2009 have each been reduced by \$32.5 million to recognize a risk adjusted rate for the Company in the range of 14% to 16% per annum, depending on the remaining term of the derivative liability contracts. Changes in the fair value of other financial liabilities and financial assets as a result of the application of EIC-173 are not considered to be significant due to the relative size and/or expected duration of these financial instruments.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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Note 18, Credit Risk, sets out the potential impact on the fair value of the derivative liabilities in a change in the Company's own credit risk if different assumptions were used to reflect the Company's own credit risk.

#### *Business combinations*

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, and provides the equivalent to IFRS 3, Business Combinations (January 2008). The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date.

The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting.

Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. This new Section will only have an impact on the Company's consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

#### *Consolidated financial statements and non-controlling interests*

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, and Handbook Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. These two Sections are the equivalent to the corresponding provisions of International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other

# **Orsu Metals Corporation**

Notes to Consolidated Financial Statements

**For the period ended March 31, 2009 (Unaudited)**

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comprehensive income are allocated to the controlling and non- controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## 5 Inventory

	2009	2008
	\$	\$
Stock piled ore	13,897	14,344
Work-in-progress	794	1,090
Finished goods	6,040	2,381
Materials and supplies	6,394	10,065
	<hr/>	<hr/>
	27,125	27,880
Less: Non-current portion of ore in stock piles	(16,913)	(6,419)
	<hr/>	<hr/>
	10,212	21,461
	<hr/>	<hr/>

At March 31, 2009, stock piled ore inventory was valued at net realizable value, resulting in a charge of \$1.2 million (2008 - \$5.2 million) in the consolidated statement of operations.

The total amount of inventory recognized as an operating expense, including the aforementioned write-downs, in the period was \$5.5 million (2008 - \$34.4 million).

## 6 Other assets

	2009	2008
	\$	\$
Value added taxes ("VAT")	15,605	19,688
Other receivables and prepaid expenses	5,047	4,034
	<hr/>	<hr/>
	20,652	23,722
Less: Long-term portion of VAT	(15,605)	(19,688)
	<hr/>	<hr/>
Current portion of other assets	5,047	4,034
	<hr/>	<hr/>

As at December 31 2008, the Company recorded VAT of \$19.7 million, Tenge 2,377 million, relating mainly to Varvarinskoye construction activities which is recoverable either in cash or as an offset against future VAT liabilities incurred. The timing of receipt of VAT amounts is dependent upon both the timing of VAT refund applications and future taxable supplies subject to VAT. Due to the inherent uncertainties surrounding the timing of any refunds, the entire VAT balance has been classified as amounts due in greater than one year. This estimate may be subject to change in future periods.

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 \$4.0 million during the quarter ended March 31, 2009.

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## 7 Contractor advances

The Company continues to be the subject of insolvency proceedings with MDM . In January 2006, further to the termination of the lump sum turnkey contract (“LSTK”) with MDM Ferroman (Pty) Limited (“MDM”), Orsu was notified that MDM was the subject of insolvency proceedings and cash advances made by JSCV totalling Rand 28.3 million (excluding accrued interest) were embargoed. During the fourth quarter of 2008, the Company successfully recovered all of the embargoed funds and whilst the liquidator continues to proceed with the insolvency proceedings there are no other funds that remain to be recovered.

	<b>2009</b>	2008
	\$	\$
Balance - Beginning of year	-	4,180
Effect of translation of foreign currency	-	(1,660)
Accrued interest	-	1,130
Release of embargoed funds	-	(3,650)
	<hr/>	<hr/>
Balance - End of year	-	-

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## 8 Property, plant and equipment

The total property, plant and equipment for the Company are as follows:

	2009 \$	2008 \$
Varvarinskoye Mine		
Plant and equipment	142,001	142,001
Development	94,891	94,891
Accumulated depreciation and depletion	(30,408)	(30,356)
Impairment	(189,013)	(189,013)
	<hr/> 17,471	<hr/> 17,523
Exploration properties (note 5)		
Talas	71,452	71,452
Tokhtazan	39,502	39,502
Karchiga	35,794	35,794
Impairment	(119,550)	(119,550)
	<hr/> 27,198	<hr/> 27,198
Office, furniture and equipment	1,171	1,221
Accumulated depreciation	(234)	(194)
	<hr/> 937	<hr/> 1,027
	<hr/> <b>45,606</b>	<hr/> <b>45,748</b>

### Varvarinskoye Mine

The Company operates Varvarinskoye Mine through ownership of JSCV. The Varvarinskoye Mine is located in the north of Kazakhstan. JSCV holds two licenses to explore and develop the Varvarinskoye Mine and also a Subsoil Use Contract (“SSUC”) with the Government of Kazakhstan.

In accordance with Canadian GAAP, the carrying value of long-lived assets is tested for impairment whenever events or circumstances indicate that the related carrying amounts may not be recoverable. At December 31, 2008, and based on a number of factors, including the significant decline in the Company’s share price and the revisions to the expected Varvarinskoye Mine cash flows, management determined that impairment indicators did exist, and completed an impairment assessment of its Varvarinskoye Mine.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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The impairment assessment included revising the mineral reserves and mineral resource estimates. As a result the Varvarinskoye life of the mine was reduced from 14 to 8 years compared to the previous Varvarinskoye Technical report of December 2006. The Company's estimated operational cash flows arising over the shortened life of mine were discounted to a net present value using the Company's risk-adjusted weighted average cost of capital of 19% and assumed long-term metal prices of \$800 per oz of gold and \$1.80 per lb of copper, and resulted in an impairment charge of \$189 million.

#### Exploration properties

Through the acquisition of Lero, the Company holds exploration licenses in Kyrgyzstan and Kazakhstan.

On December 3, 2008, the Company entered into an agreement with Gold Fields Orogon Holdings BVI Limited ("Gold Fields") to further develop the Taldybulak-Talas property. Under the agreement Gold Fields became the project operator and has right to earn up to a 70% stake in the Talas property. Gold Fields had not earned any stake in the Talas property at December 31, 2008.

Based on management's assessment that impairment indicators existed at December 31, 2008 the Company completed an impairment assessment of its mineral properties at December 31, 2008. The Company engaged an independent expert to assist in determining the fair value of the Company's mineral properties comprised of Taldybulak-Talas and Tokhtazan in Kyrgyzstan, along with Karchiga in Kazakhstan. The result was a revised valuation in total of \$20.9 million which has resulted in an impairment charge of \$119.6 million.

#### Measurement uncertainty

Although the management of the Company believes that the estimates applied in the impairment assessments outlined above are reasonable, such assessments are subject to significant uncertainties and judgments. If long-term estimates including those made for commodity prices, recoverable reserves and share prices were to change significantly, additional impairment charges may be required in future periods, and such charges could be material.

## 9 Net investment in oil and gas residual interests

	2009	2008
	\$	\$
Balance - Beginning of period	884	1,364
Royalty income	-	(480)
Balance - End of period	<u>884</u>	<u>884</u>

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

In 1999, the Company sold its interest in Tasbulat Oil Corporation (“Tasbulat”), a company producing oil in Kazakhstan. In line with the terms of the sale agreement, in January 2006, the Company received the final portion of the proceeds relating to this sale of \$605,000.

The remaining net investment is expected to be recovered from the Company’s share of a 1% gross overriding royalty (based on gross sales proceeds less certain sales related costs and taxes) which is payable to the Company from all oil produced from Tasbulat exceeding 2.0 million barrels of oil equivalent. The Company anticipates its residual net investment in oil and gas interests will be fully recovered from future royalty income.

## 10 Long-term debt

Long-term debt and the attributable unamortized deferred financing costs as at March 31, 2009 are as follows:

	2009			
	ECIC loan	Commercial loan	Convertible loan	Total
	\$	\$	\$	\$
<b>Loans fully drawn down at March 31, 2009</b>	<b>34,301</b>	<b>18,000</b>	<b>7,995</b>	<b>60,296</b>
<b>Unamortized deferred financing costs</b>	<b>(3,080)</b>	<b>(613)</b>	<b>(967)</b>	<b>(4,660)</b>
<b>Net debt - current portion</b>	<b>31,221</b>	<b>17,387</b>	<b>7,028</b>	<b>55,636</b>
	2008			
	ECIC loan	Commercial loan	Convertible loan	Total
	\$	\$	\$	\$
Balance drawn down at December 31, 2008	34,317	18,000	8,000	60,317
Repayment of capital	(16)	-	(5)	(21)
Unamortized deferred financing costs	(4,030)	(1,401)	(1,114)	(6,545)
Net debt - current portion	30,271	16,599	6,881	53,751

On November 30, 2005, JSCV entered into a limited recourse debt facility (the “Debt Facility”) with Investec Bank (UK) Limited, Investec Bank Limited and Nedbank Limited (the “Lenders”)

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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to fund the debt portion of the construction of the Varvarinskoye Mine for a total amount of \$75.4 million. The Company was unable to draw-down from this facility until the issues relating to the cancellation of the lump sum turnkey contract (“LSTK”) with MDM Ferroman (Pty) Limited (“MDM”) and subsequent completion of the EPCM with SENET were finalized.

These issues were resolved during the year ended December 31, 2006 and the Debt Facility amended and concluded on December 19, 2006. The Debt Facility is collateralized by the assets of JSCV. The covenants of the Debt Facility require the Company to deposit cash balances in restricted accounts, to maintain certain maximum levels and ageing of creditor indebtedness (“Permitted Indebtedness”), to meet debt and interest repayments as they fall due and also to enter into gold forward contracts. The Debt Facility also requires the Company not to raise any new debt or make distributions that result in the Company exceeding certain specified financial ratios.

Upon finalization of the Debt Facility in 2006, the total facility available was reduced to \$61 million and consists of:

- a loan facility under written by the Export Credit Insurance Corporation of South Africa of \$35 million (the “ECIC Loan”);
- a commercial loan of \$18 million (the “Commercial Loan”) and
- a convertible loan facility of \$8 million (the “Convertible Loan”).

On May 9, 2008, the Company and the Lenders agreed certain modifications to the Debt Facility repayment terms and rates to reflect the delayed commencement of commercial production compared with the Company’s original expectations.

The Company has applied the debt extinguishment tests prescribed under EIC 88 (“Debtors Accounting for a Modification or Exchange of Debt Instruments”) to the revised and original cash flows arising from the amended and original debt facility cash flows and has concluded that the debt facility amendments did not result in the recognition of a new debt instrument at either amendment date but were renegotiations of the original debt facility.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

As at March 31, 2009 (unchanged from December 31, 2008 and following the May 9, 2008 modification), principal repayment and interest rate terms are as follows:

Repayment dates	Applicable Rate	ECIC loan \$	Commercial loan \$	Convertible loan \$	Total principal \$
December 31, 2008	(LIBOR plus 1.25%)	9,050			9,050
	(LIBOR plus 2.8%)		7,600		7,600
		9,050	7,600	-	16,650
June 30, 2009	(LIBOR plus 1.25%)	8,100			8,100
	(LIBOR plus 2.8%)		6,175		6,175
	(LIBOR plus 5.0%)		4,225		4,225
	(LIBOR plus 2.8%)			900	900
		8,100	10,400	900	19,400
December 31, 2009	(LIBOR plus 1.25%)	5,551	-		5,546
	(LIBOR plus 5.0%)	11,600			11,600
	(LIBOR plus 2.8%)			3,275	3,275
		17,151	-	3,275	20,421
June 30, 2010	(LIBOR plus 2.8%)	-	-	3,820	3,825
Total principal		34,301	18,000	7,995	60,296

For the three months ended March 31, 2009, the Company incurred financing costs of \$0.3 million (2008 - \$3.8 million) with regard to the Debt Facility.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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As mentioned in note 2, “Going concern”, the Company was in technical breach of its borrowing covenants as it was unable to repay the first tranche of debt repayment of \$16.65 million due on December 31, 2008, and had not received waiver from all the Lenders as at the date of the financial statements. Payment of the first tranche remains outstanding. In addition, as at February 24, 2009, the Company was in breach of its Permitted Indebtedness covenants with respect to trade creditors, both in amounts and terms. In addition, the Company is forecasting that, in the absence of additional waivers or modification of the debt terms, it will remain unable to meet its 2009 scheduled repayment obligations, will remain in breach of its repayment terms and its Permitted Indebtedness covenants, and is likely to breach other loan covenants. Failure to remedy such existing or future breaches and to comply with the debt repayment terms will entitle the Lenders to demand immediate repayment of all amounts owing. As a result, the entire debt amount has been classified as current.

The Company is currently in discussions with the Lenders for the re-financing of JSCV including the possibility of disposing of Varvarinskoye property and related debt and gold forward contract obligations. The outcome of these discussions has not yet been determined and there is no assurance that the Company will be successful in its attempts to refinance JSCV and/or obtain amendments to the debt repayment schedule, or obtain additional waivers or dispose of the Varvarinskoye property and related debt and hedging obligations.

### 11 Derivative instruments

	2009 \$	2008 \$
Unsettled matured contracts	7,685	-
Risk adjusted mark to market fair value of derivative instruments	92,259	116,994
Less: Amounts due within one year	(99,944)	(24,221)
	<u>-</u>	<u>92,773</u>

As a condition of the Debt Facility, the Company entered into monthly US dollar unmargined flat forward gold sales contracts (the “Varvarinskoye Hedge”) over a term of 8 years ending in June 2014. The Company has 350,468 ounces of forward gold sales remaining at a price of \$574.25 per ounce as at March 31, 2009 (2008 – 372,468 ounces).

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

None of the Company’s derivative liabilities have been designated as hedges. Accordingly, such derivative liabilities that do not qualify for hedge accounting are required to be recorded at fair

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

value with changes in their fair value recognized as unrealized gains and losses in the financial statements in the period in which they occur.

For the three months ended March 31, 2009 the Company booked realised derivative losses of \$7.7million (2008 – \$20.5 million) representing 22,000 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 March 31, 2009 at an average forward gold price of \$934 per oz and a risk adjusted rate for the Company in the range of 14% to 16% per annum, depending on the remaining term of the derivative liability contracts, gave rise to an unrealized derivative loss for the quarter of \$7.8 million.

As mentioned in note 2, "Going concern", at March 31, 2009 the Company was in default on payments as they fell due under the gold forward contract obligations and the hedge counterparties are 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 March 31, 2009.

All derivative financial instruments are classified as held for trading and are measured at fair value. At March 31, 2009 and December 31 2008, the Company's derivative liabilities were comprised solely of gold forward sales contracts.

In addition to the closed derivative liabilities mentioned, as at March 31, 2009 and December 31, 2008, the Company had the following open derivative positions:

	<b>2009</b>					
	<b>Maturity 2009</b>	<b>Maturity 2010</b>	<b>Maturity 2011</b>	<b>Maturity 2012</b>	<b>Maturity 2013 to 2014</b>	<b>Total</b>
<b>Gold</b>						
Forward contracts (oz)	58,326	81,000	76,142	62,000	73,000	350,468
Price (\$/oz)	574.25	574.25	574.25	574.25	574.25	574.25
						<b>2008</b>
	<b>Maturity 2009</b>	<b>Maturity 2010</b>	<b>Maturity 2011</b>	<b>Maturity 2012</b>	<b>Maturity 2013 to 2014</b>	<b>Total</b>
<b>Gold</b>						
Forward contracts (oz)	80,326	81,000	76,142	62,000	73,000	372,468
Price (\$/oz)	574.25	574.25	574.25	574.25	574.25	574.25

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## 12 Asset retirement obligations

A reconciliation of the changes in asset retirement obligations is as follows:

	2009	2008
	\$	\$
Balance - Beginning of year	13,357	11,388
Change in estimates	-	(239)
Additions in the year	-	1,302
Accretion	187	906
	<hr/>	<hr/>
Balance - End of year	13,544	13,357

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. Significant reclamation and closure cost activities include land rehabilitation and reforestation, demolition of buildings and mine facilities, fencing, ongoing care and maintenance and other costs. At the end of 2008, the provision for reclamation was based on the following key assumptions which remain unchanged as at March 31, 2009:

- total inflated undiscounted cash flows of approximately \$25 million (2007 - \$31 million),
- the expected timing of payment of the cash flows ranges in the years 2009 to 2017 (previously 2006 to 2021),
- a credit adjusted risk-free rate at which the estimated flows have been discounted by 8.2 % (2007 - 8.2%) and finally,
- after applying an assumed inflation rate of 8.3% (2007 - 8.3%).

This provision is accreted over the life of the mine on a units-of-production basis, to the estimated retirement obligation payable through charges to operations.

During the year ended December 31, 2008, the Company recorded a liability of \$1.3 million in connection with its obligation under the Sub Soil Use Contract ("SSUC") with JSCV. This liability is included within asset retirement obligation additions and will be accreted to the total obligation of \$2.1 million on a periodic charge to earnings. The liability has been discounted at a credit adjusted risk-free rate of 10% (2007 - 0%).

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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Under the terms of the SSUC, the Company has agreed to repay certain historic costs totalling \$2.1 million (2007 - \$2.1 million) that the Republic of Kazakhstan incurred for a geological survey of the license area. Under the terms of the original SSUC these costs are repayable in annual instalments after both of the following events have taken place:

- a) the first discovery of a mineral reserve in the license area (completed as at June 30, 2007);  
and
- b) the completion of the first year (not earlier than the year in which the discovery of a mineral reserve occurs) during which the licensee has a net profit for tax purposes. As the Company has yet to complete a year in which a net profit for tax purposes is recorded, no liability has been recorded at December 31, 2008.

However, on January 1, 2009, a new Tax Code was adopted in the Republic of Kazakhstan which cancelled the stability of the Sub Soil Use Contracts. From 1 January 2009 historic costs are to be paid in accordance with article 328 of the new Tax Code, which stipulates that the sub soil user shall agree a payment schedule with the authorized state body which shall be based on pre-determined guidelines and which repayment period cannot exceed ten years.

JSCV has not yet agreed the new payment schedule with the authorized state body, but is expecting that in accordance with such agreement the first instalment of historic costs will be due in 2010. It is expected that the annual payment will be \$212,000 per annum, based on total amount of historic costs of \$2.1 million.

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## 13 Share capital

a) Authorized

The Company is authorized to issue 100,000,000,000 common shares of no par value.

Issued

	2009		2008	
	Number of shares 000's	Amount \$	Number of shares 000's	Amount \$
Balance - Beginning of period	456,959	361,440	302,804	204,553
Common shares issued on acquisition	-	-	152,102	154,624
Exercise of warrants for cash	-	-	-	-
Exercise of stock options for cash	-	-	1,800	1,331
Transfer of fair value on exercise of stock options, warrants and Agent Units	-	-	-	702
Common shares issued for consulting services	-	-	253	230
Share issue costs	-	-	-	-
Balance - End of period	456,959	361,440	456,959	361,440

- i) The Company issued 152,101,767 common shares at market value CAD\$1.03 to acquire all the outstanding common shares of Lero of June 27 2008.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

#### b) Share purchase warrants

A summary of the changes in the Company's share purchase warrants for the three months ended March 31, 2009 and for the year ended December 31 2008 is set out below:

	2009			2008		
	Value Assigned US\$	Warrants Outstanding 000's	Weighted average exercise price CAD\$	Value Assigned US\$	Warrants Outstanding 000's	Weighted average exercise price CAD\$
Balance - Beginning of period	48,650	128,547	1.28	46,629	130,441	1.16
Issued on exercise of Agent's Units	-	-	-	-	-	-
Issued to agent	-	-	-	82	500	1.20
Fair value of warrants assumed from Lero	-	-	-	1,394	3,106	0.85
Issued to debt facility Lenders	-	-	-	545	2,000	1.00
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	(7,500)	1.20
Balance - End of period	<u>48,650</u>	<u>128,547</u>	<u>1.28</u>	<u>48,650</u>	<u>128,547</u>	<u>1.28</u>

A summary of the share purchase warrants outstanding and exercisable as at March 31, 2009 and December 31, 2008 is set out below:

2009			2008		
Exercise Price CAD\$	Expiry date	Number 000's	Exercise Price CAD\$	Expiry date	Number 000's
1.20	April 11, 2010	71,888	1.20	April 11, 2010	71,888
1.00	November 30, 2010	2,000	1.00	November 30, 2010	2,000
1.55	March 21, 2011	40,451	1.55	March 21, 2011	40,451
0.92	October 17, 2011	8,602	0.92	October 17, 2011	8,602
1.00	May 9, 2010	2,000	1.00	May 9, 2010	2,000
1.20	April 17, 2010	500	1.20	April 17, 2010	500
0.85	April 29, 2010	3,106	0.85	April 29, 2010	3,106
		<u>128,547</u>			<u>128,547</u>

In accordance with Canadian GAAP, the fair value of the warrants granted has been calculated using the Black-Scholes option pricing model, using the following assumptions:

A summary of the assumptions used in the valuation of share purchase warrants issued are set out below:

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

	Lero acquisition warrants	Agent's warrants	Warrants issued to Debt facility lenders
Risk free interest rate	4.0%	2.85%	2.72%
Expected dividend yield	nil	nil	nil
Expected stock price volatility	64.50%	57.78%	57.42%
Expected warrant life	2 years	2 years	2 years

Pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of warrants granted by the Company.

### c) Share purchase options

The Company maintains an incentive stock option plan (the "Plan") covering directors, officers, employees and consultants of the Company and its subsidiary companies. The exercise price of an option is determined by the Board of Directors on the basis of the closing market price of the Company's shares on the trading day prior to the date of issue of the option. The Plan provides that options may be granted for a maximum period of ten years and the aggregate number of shares which may be issued and sold under the Plan may not exceed 10% of the issued and outstanding common shares from time to time, less options exercised since shareholder approval was last granted in respect of the Plan.

A summary of the changes in the Company's share purchase options for years ended March 31, 2009 and December 31 2008, is set out below:

	2009			2008		
	Value Assigned US\$	Options Outstanding 000's	Weighted average exercise price CAD\$	Value Assigned US\$	Options Outstanding 000's	Weighted average exercise price CAD\$
Balance - Beginning of period	19,000	41,890	0.83	13,567	24,265	0.83
Issued	-	-	-	3,105	16,125	0.82
Amounts vesting in period	780	-	-	-	-	-
Fair value of options assumed from Lero	-	-	-	4,346	6,575	0.46
Exercised	-	-	-	(702)	(1,800)	0.75
Forfeited	(148)	(315)	-	(1,316)	(3,275)	0.65
Balance - End of period	19,632	41,575	0.84	19,000	41,890	0.84

A summary of the stock options outstanding and exercisable as at March 31, 2009 is set out below:

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

Range of prices CAD\$	Number of options	Weighted average years to expire	Weighted average exercise price CAD\$	Number of exercisable options	Weighted average exercise price CAD\$
0.24 - 0.49	5,550,000	2.37	1.00	5,550,000	1.00
0.50 - 0.99	31,675,000	3.78	0.31	31,840,000	0.31
1.00 - 1.49	<u>4,350,000</u>	3.26	2.49	<u>3,475,000</u>	2.86
	<u>41,575,000</u>	3.58	0.84	<u>40,865,000</u>	0.86

## 14 Stock-based compensation

The Company uses the fair value method of accounting for stock-based compensation. During the three months ended March 31, 2009, the Company expensed fair value of stock-based compensation of \$0.8 million (2008 - \$0.1 million) for stock options of which 3.9 million vested in the period.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Risk free rate	2.9%-3.33%	2.9%-3.33%
Expected dividend yield	Nil	Nil
Expected stock price volatility	58.58%-65.19%	58.58%-65.19%
Expected options life	2.8 years	2.8 years

## 15 Contributed surplus

A summary of the changes in the Company's contributed surplus for the three months ended March 31, 2009 and for the year ended December 31, 2008 is set out below:

	2008 \$	2008 \$
Balance - Beginning of year	2,715	1,399
Transfer of fair value of cancelled incentive stock options	<u>148</u>	<u>1,316</u>
Balance - End of year	<u>2,863</u>	<u>2,715</u>

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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## 16 Commitments

The following table summarizes the commitments of the Company as at March 31, 2009:

	2009	2010	2011	2012	2013 +	Total
	\$	\$	\$	\$	\$	\$
Long-term debt	60,296	-	-	-	-	60,296
Derivative liabilities	27,921	28,470	27,200	22,668	27,600	133,859
Lease obligations	110	-	-	-	-	110

## 17 Capital disclosures

The Company considers the items included in the shareholders' equity to be capital (see note 15). The Company's objectives when managing capital are to provide returns for shareholders, and comply with lending requirements while safeguarding the Company's ability to continue as a going concern.

The Company manages and monitors the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

## 18 Financial risk management

### Fair values

The Company classifies its financial assets as either held for trading or loans and receivables. Financial liabilities are classified as either held for trading, or other financial liabilities.

Held for trading financial assets and liabilities, including derivative financial instruments, are recorded at fair value as determined by active market prices and valuation models and adjusted for the Company's own credit risk, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs. Changes in fair value of held for trading financial instruments are recorded in net earnings.

Loans and receivables and other financial liabilities are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest method.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

The following provides a summary of the carrying values of each classification of financial instrument as at March 31, 2009:

	Loans and receivables \$	Held-for- trading \$	Other financial liabilities \$	Total carrying amount \$
<b>Financial assets</b>				
Cash and cash equivalents	-	4,415	-	4,415
Restricted cash	-	85	-	85
Accounts receivable	46	-	-	46
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities and accrued liabilities	-	-	26,537	26,537
Derivative liabilities	-	99,944	-	99,944
Long-term debt - net of issue costs	-	-	55,636	55,636

The fair value of the Company's accounts payable and accrued liabilities and long-term debt balances are significantly lower than carrying value due to the Company's current financial condition. The Company's derivative liabilities are stated at fair value reflecting the Company's own credit risk (see note 4).

The fair value of accounts receivable approximates to their carrying values due to their immediate maturity as at March 31, 2009.

The following provides a summary of the carrying values of each classification of financial instrument as at December 31, 2008:

	Loans and receivables \$	Held-for- trading \$	Other financial liabilities \$	Total carrying amount \$
<b>Financial assets</b>				
Cash and cash equivalents	-	7,774	-	7,774
Restricted cash	-	142	-	142
Accounts receivable	507	-	-	507
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	-	-	24,440	24,440
Derivative liabilities	-	116,994	-	116,994
Long-term debt - net of issue costs	-	-	53,751	53,751

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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The Company is exposed to certain financial risks including credit risk, liquidity risk, currency risk and interest rate risk.

#### **Accounts receivable**

Metal (copper) concentrate is sold under contract pricing arrangements where final prices are confirmed at a specified future date based on the then prevailing market prices. Fluctuations in the estimated final price of metal between the date of the initial revenue recognition (i.e. the date at which title passes) and the final future price point, results in the existence of an embedded derivative in the accounts receivable. This derivative is classified as held for trading with changes in fair value recognized as a component of revenue.

Upon the shipment of concentrate, a provisional invoice is raised based on current metal spot prices and an advance of 90% of the value of the metal less deductions for freight, smelting and other costs is received. A final adjusted invoice is then raised at the end of the quotational period based upon the metal prices applicable to the stipulated quotational period.

At each financial period end, the Company estimates the expected final metal sales value based upon forward metal prices applicable to the relevant quotational periods and makes the appropriate adjustment to reported revenues to reflect the expected final metal sales values. As at March 31 2009, these adjustments resulted in a recorded estimated liability of \$6.5 million payable (December 31, 2008 \$7.0 million payable) to Trafigura for future metal price settlements, which is included in accounts payable and accrued liabilities.

For the three months to March 31, 2009 the Company invoiced sales of \$8.8 million plus a future metal price settlement adjustment of \$1.2 million less treatment and refining charges of \$0.2 million, resulting in reported revenues for the year of \$9.8 million.

Finally, the Company recognises sales on gold and copper concentrate as revenues. As a by product of the production process, a small amount of silver was produced which generated sales totalling \$11,457 for the three months to March 31, 2009. The Company recognizes this as a credit against operating expenses.

#### **Credit risk**

The Company's credit risk is primarily attributable to accounts receivable and derivative liabilities.

#### *Accounts receivable*

As at March 31 2009, the Company had a single off take contract for its copper concentrate sales (Trafigura Beheer B.V. , "Trafigura") and another for its gold Dore sales (Metalor Technologies S.A., "Metalor"). The Company takes all reasonable measures to ensure that the off takers are financially stable and able to fulfil their contractual obligations. During the first quarter of 2009, the Company suspended shipments of copper concentrate whilst the off take contract with Trafigura was re-negotiated which resulted in reduced first quarter revenues. The Company

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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successfully agreed revised terms with Trafigura during the second quarter of 2009. The Company expects to resume shipments of copper concentrate during the second quarter and to fully recover revenues in the same period.

#### Derivative liabilities

The Company's derivative liability is a monthly US dollar unmargined flat forward gold sales contract over a term of 8 years ending June 2014.

Effective January 1, 2009, the Company adopted EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities ("EIC 173") which requires that an entity's own credit risk be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. As a result of the implementation of the guidance in EIC-173 the Company has used a risk adjusted rate for the Company in the range of 14% to 16% per annum in the valuation of its derivative liabilities, depending on the remaining term of the derivative liability contracts. The following table summarises the impact on the fair value of the derivative liability of a 1% change to the Company's own credit risk:-

Derivative instruments	Impact of Company credit risk on the fair value of derivatives and net earnings		
	March 31, 2009	1% increase	1% decrease
	\$	\$	\$
Gold forward sales contracts	91,683	2,002	(2,002)

#### **Liquidity risk**

The Company's policy is to manage liquidity risk by maintaining cash and cash equivalent balances and available credit under the terms of committed credit facilities, sufficient to meet its short term and long term obligations.

As at March 31, 2009, the Company's short-term and long-term obligations were as follows:

	Total	Less than 1 year	1-2 years	2-3 years	Beyond 3 years
	\$	\$	\$	\$	\$
Current portion of long-term debt	55,636	55,636	-	-	-
Accounts payable and accrued liabilities	26,537	26,537	-	-	-
Asset Retirement obligations	13,544	-	-	-	13,544
Derivative obligation	99,944	99,944	-	-	-

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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For the reasons stated in note 2 (“Going Concern”) the Company’s liquidity as at December 31, 2008 was insufficient to meet all of its debt, accounts payable and derivative obligations falling due in the first quarter of 2009. The Company’s liquidity for the remainder of the year will be significantly affected by, amongst other things, metal prices, the frequency of product deliveries, production levels and any amendments to the terms of the Varvarinskoye debt facility and gold forward contract obligations arising from the ongoing discussions with the Lenders.

#### Currency risk

The Company’s functional and reporting currency is US dollars.

Foreign exchange risk arises from transactions denominated in currencies other than US dollars. Commodity sales are denominated in US dollars. All borrowings are denominated in US dollars and the majority of operating expenses are denominated in US dollars and Kazakh Tenge. The impact on earnings (including exploration expenditures) of a 10% appreciation or devaluation in currencies is as follows:

	<b>10% devaluation</b>	<b>10% appreciation</b>
	\$	\$
Kazakhstan Tenge	687	(840)
Kyrgyzstan Som	582	(711)
Canadian Dollar	152	(186)

#### Interest rate risk

The Company’s interest rate risk arises primarily from the interest received on cash and short-term deposits and interest paid on floating rate borrowings. The floating rate deposits and borrowings expose the Company to cash flow interest rate risk.

The Company manages its cash flow interest rate risk on borrowings on a net basis after first recognizing the natural hedge arising from floating rate deposits.

The impact on net earnings of a 1% per annum change in LIBOR would be as follows:

	<b>March 31, 2009</b>	<b>Impact of LIBOR change on net earnings</b>	
		<b>1% increase</b>	<b>1% decrease</b>
	\$	\$	\$
Cash at bank	4,415	33	(33)
Long-term debt (pre issue costs)	60,296	(603)	603

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

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### Commodity price risk

The Company is subject to price risk from fluctuations in the market prices of mainly copper and gold. The Company has a policy allowing active management of this exposure through the use of derivative financial instruments where appropriate. To date the Company has entered into derivative positions for gold sales only, as required by lending agreements.

The following table shows the impact on net earnings due to changes in the fair value of financial instruments from a 10% change in the copper metal prices (based upon a quarter end weighted average copper metal price of \$1.553 per lb) and contract forward gold prices (based upon a quarter end weighted average gold metal price of \$934 per oz).

Derivative instruments	March 31, 2009	Impact of price change on net earnings	
		10% increase \$	10% decrease \$
Copper Embedded derivative - accounts receivable (payable)	8,704,370 lb	1,351	(1,351)
Gold Forward sales contracts	350,468oz	(23,511)	23,511

## 19 Contingencies

### a) Legal claim

The Company was served by Bernard Szuszkiewicz, on September 18, 2008, as a proposed representative plaintiff on behalf of persons who acquired securities of EMC during the period from May 16 2007 to March 31, 2008 with a statement of claim filed in the Ontario Superior court of Justice. The Claim relates to the announcement by EMC on March 31, 2008 that it was reviewing its accounting for derivatives to ensure compliance with certain provisions of the CICA handbook and that it anticipated that such review would result in a restatement of EMC's interim financial statements for the first three fiscal quarters of 2007. The financial statements were restated and were subsequently issued by EMC on April 11, 2008 and filed on SEDAR ([www.sedar.com](http://www.sedar.com)). The plaintiffs are claiming general and special damages in the amount of CAD\$50,000,000 and punitive damages in the amount of CAD\$5,000,000. The Company's directors have appointed legal counsel and are currently preparing their defence.

Subsequently on December 5 2008, the Company was served by new claim which effectively replaced the original claim stated above. The new claim is similar in nature to the original but by a new plaintiff.

# Orsu Metals Corporation

## Notes to Consolidated Financial Statements

### For the period ended March 31, 2009 (Unaudited)

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The claim has not yet been certified as a class action. Orsu believes that the Claim is without merit and intends to vigorously defend it. There have been no provisions made for any potential losses which may arise under this claim.

- b) The Company continues to be the subject of insolvency proceedings with MDM. In January 2006, the Company terminated the lump sum turnkey contract (“LSTK”) with MDM in relation to the Varvarinskoye Project. At the time of the cancellation of the LSTK, various suppliers (the “Suppliers”) were in various stages of providing the components that they had agreed to supply to MDM. Amounts remained owing by MDM to certain suppliers who had completed their obligations and to certain other suppliers with obligations outstanding who indicated that they would not do any further work without receiving satisfactory assurances that they would receive the balance of amounts owing to them. In November 2005, prior to being placed into provisional liquidation, MDM assigned all of its rights and obligations under its contracts with the Suppliers to JSCV under a cession agreement (the “Cession”). Virtually all suppliers advised JSCV that they agreed to be bound by the Cession and dealt directly with JSCV thereafter. The liquidator of MDM has claimed the Cession of the sub-contracts under the LSTK gave rise to the Company receiving a benefit in preference to the other creditors and claimed this could be set aside under South African insolvency law. As a result, certain suppliers requested indemnification from JSCV for any losses suffered by them based on action taken against these suppliers by the liquidator. The liquidator has issued summons to pursue a claim against JSCV in the South African courts for between Rand 10 to 12 million arising for the cession, and did seek to embargo funds held in South Africa by the Company. The attempt to embargo funds was successfully opposed, and the funds repatriated to the Company (see note 7). However, the liquidator is still pursuing the claim in the South African courts for Rand 10 to 12 million but any judgement of a South African court will have to be recognised and enforced in Kazakhstan.

Orsu believes that the claim is without merit and intends to vigorously defend it. No provision has been made in these financial statements for any loss that may arise under the current action being pursued by the liquidator.

## 20 Related party transactions

For the three months ended March 31, 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 \$27,476 (2008 - \$64,000) in respect of the provision of office facilities, general office overheads and re-charged costs incurred on behalf of the Company. A former Chairman and director of the Company, beneficially owns DIS.

Endeavour Financial Corp (“EFC”) charged the Company a total of \$81,217 (2008 - \$42,000) in respect of the provision of consulting services and related expenses. A former Chairman and director of the Company, is a shareholder of EFC.

# **Orsu Metals Corporation**

Notes to Consolidated Financial Statements

**For the period ended March 31, 2009 (Unaudited)**

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During the period ended March 31, 2009 the Company was charged \$225,921 (nil 2008) for rent and service charges from Oriel PLC a company related through a common director (whom resigned September 19 2008).

As at March 31, 2009, a total of \$26,369 (2008 - \$30,000) for related parties has been included in accounts payable.

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

## 21 Segmented reporting

The segment reporting for Orsu is split between the operating activities covering all activities associated with Varvarinskoye mine, mineral exploration and development and head quarter charges. Segmental information for the three month period ended March 31, 2009 is as follows:

	<b>(Kazakhstan) Varvarinskoye Mining, exploration and development \$</b>	<b>(Kazakhstan and Kyrgyzstan) Mineral exploration and development \$</b>	<b>(UK) Corporate \$</b>	<b>Total \$</b>
<b>Revenues</b>				
Gold	7,898	-	-	<b>7,898</b>
Copper	1,898	-	-	<b>1,898</b>
	<u>9,796</u>	<u>-</u>	<u>-</u>	<u><b>9,796</b></u>
<b>Cost of sales</b>	<u>(11,357)</u>	<u>-</u>	<u>-</u>	<u><b>(11,357)</b></u>
<b>Other costs</b>				
Derivative gains, net	(15,493)	-	-	<b>(15,493)</b>
Stock-based compensation	-	-	(780)	<b>(780)</b>
Foreign exchange	(2,595)	(318)	(141)	<b>(3,054)</b>
Exploration expenses	-	(215)	-	<b>(215)</b>
Interest expense	(2,970)	-	-	<b>(2,970)</b>
Mineral extraction taxes	(1,365)	-	-	<b>(1,365)</b>
General and administrative	(1,921)	-	(933)	<b>(2,854)</b>
	<u>(24,344)</u>	<u>(533)</u>	<u>(1,854)</u>	<u><b>(26,731)</b></u>
<b>Interest income</b>	<u>-</u>	<u>-</u>	<u>7</u>	<u><b>7</b></u>
<b>Segmented loss before income taxes</b>	<u>(25,905)</u>	<u>(533)</u>	<u>(1,847)</u>	<u><b>(28,285)</b></u>

# Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

Segmental information for the 12 month period ended December 31, 2008 is as follows:

	(Kazakhstan) Varvarinskoye Mining, exploration and development \$	(Kazakhstan and Kyrgyzstan) Mineral exploration and development \$	(UK) Corporate \$	Total \$
<b>Revenues</b>				
Gold	22,768	-	-	22,768
Copper	4,366	-	-	4,366
	27,134	-	-	27,134
<b>Cost of sales</b>	(51,621)	-	-	(51,621)
<b>Other costs</b>				
Derivative losses	3,115	-	-	3,115
Stock-based compensation	-	-	(3,095)	(3,095)
Foreign exchange	(1,900)	-	(585)	(2,485)
Exploration expenses	-	(4,072)	-	(4,072)
Interest expense	(5,534)	-	(429)	(5,963)
General and administrative	-	-	(3,880)	(3,880)
Gain on disposal of mineral properties	(3,873)	(195)	(12,523)	(16,591)
	(8,192)	(4,267)	(20,512)	(32,971)
<b>Interest income</b>	1,186	-	398	1,584
<b>Segmented loss before the following</b>	(31,493)	(4,267)	(20,114)	(55,874)
Write-off of mineral properties	-	(119,550)	-	(119,550)
Write-off of Varvarinskoye assets	(189,013)	-	-	(189,013)
<b>Segmented loss before income taxes</b>	(220,506)	(123,817)	(20,114)	(364,437)
<b>Property, plant and equipment</b>	17,523	27,749	476	45,748
<b>Total assets</b>	72,006	28,919	5,732	106,657

During the first quarter of 2008, the segmental activities only covered the Varvarinskoye and head quarters. With the acquisition of Lero in 2008, the Company added an additional reporting segment of exploration activities.