

Orsu Metals Corporations

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

Auditors' Report

To the Shareholders of Orsu Metals Corporations

We have audited the consolidated balance sheets of **Orsu Metals Corporations** as at December 31, 2009 and 2008 and the consolidated statements of operations and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, B.C.
March 16, 2010

Orsu Metals Corporations

Consolidated Balance Sheets

As at December 31, 2009 and 2008

(in thousands of US dollars)

| | 2009 \$ | 2008 \$ |
|-------------------------------------------------------------------------------------|---------------|------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 3,386 | 6,200 |
| Prepaid and receivables | 1,860 | 1,296 |
| Current assets related to discontinued operations (note 5) | - | 26,280 |
| | <u>5,246</u> | <u>33,776</u> |
| Exploration properties (note 7) | 27,198 | 27,198 |
| Office, furniture and equipment (net of depreciation of \$436; 2008 - \$194) | 1,078 | 1,027 |
| Net investment in oil and gas residual interests (note 8) | 643 | 884 |
| Long term assets related to discontinued operations (note 5) | - | 43,772 |
| | <u>34,165</u> | <u>106,657</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 2,455 | 2,644 |
| Current liabilities related to discontinued operations (note 5) | - | 99,768 |
| | <u>2,455</u> | <u>102,412</u> |
| Future income tax | 6,877 | 6,877 |
| Long term liabilities related to discontinued operations (note 5) | - | 106,130 |
| | <u>9,332</u> | <u>215,419</u> |
| Shareholders' Equity (Deficiency) | | |
| Share capital (note 10(a)) | 361,440 | 361,440 |
| Share purchase warrants (note 10(b)) | 48,650 | 48,650 |
| Share purchase options (note 10(c)) | 12,550 | 19,000 |
| Contributed surplus (note 12) | 11,177 | 2,715 |
| Deficit | (408,984) | (540,567) |
| | <u>24,833</u> | <u>(108,762)</u> |
| | <u>34,165</u> | <u>106,657</u> |
| Going concern (note 2) | | |
| Discontinued operations (note 5) | | |
| Commitments (note 13) | | |
| Contingencies (note 16) | | |
| Subsequent events (note 18) | | |

Approved by the Board of Directors

_____(signed) Sergey Kurzin_____
Executive Chairman

_____(signed) Alexander Yakubchuk_____
Director

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

Orsu Metals Corporations

Consolidated Statements of Operations, Comprehensive Loss and Deficit For the years ended December 31, 2009 and 2008

(in thousands of US dollars)

| | 2009 \$ | 2008 \$ (Restated - note 6) |
|-----------------------------------------------------------------------|------------|--------------------------------------|
| (Expenses)/income | | |
| Impairment of mineral properties | - | (119,550) |
| General and administrative | (5,946) | (10,133) |
| Termination costs | (98) | (3,880) |
| Class action settlement | (1,027) | - |
| Exploration | (1,617) | (2,093) |
| Stock-based compensation (note 11) | (2,013) | (3,095) |
| Interest expense | (54) | (533) |
| Interest income | 19 | 398 |
| Foreign exchange gains/(losses) | 124 | (687) |
| Loss from continuing operations before income taxes | (10,612) | (139,573) |
| Future income tax (note 9) | - | 35,139 |
| Loss from continuing operations | (10,612) | (104,434) |
| Loss from discontinued operations (note 5) | (51,160) | (218,178) |
| Net gain from disposal of discontinued operations (note 5) | 160,812 | - |
| Net income/(loss) and comprehensive income/(loss) for the year | 99,040 | (322,612) |
| Deficit - Beginning of year - as previously stated | (540,567) | (217,955) |
| Adjustment on adoption of EIC 173 (note 6) | 32,543 | - |
| Deficit - Beginning of year - Restated | (508,024) | (217,955) |
| Deficit - End of year | (408,984) | (540,567) |
| (Loss)/income per common share | | |
| (Loss) per common share from continuing operations | (0.23) | (2.71) |
| (Loss) per common share from discontinued operations | (1.12) | (5.65) |
| Net income/ (loss) per common share | 2.17 | (8.36) |
| Weighted average number of common shares | | |
| Basic and diluted (in thousands) | 45,696 | 38,598 |

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

Orsu Metals Corporations
Consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2008

(in thousands of US dollars)

| | 2009 \$ | 2008 \$ |
|------------------------------------------------------------------------------------|------------|------------|
| Cash flows from operating activities | | |
| Net loss for the period from continuing activities | (10,612) | (104,434) |
| Items not affecting cash | | |
| Depreciation, amortization and deferred finance charges | 248 | 119 |
| Stock-based compensation (note 11) | 2,013 | 3,095 |
| Unrealized foreign exchange gain | (79) | (2,271) |
| Future income tax recovery | - | (35,139) |
| Warrants issued to agents | - | 311 |
| Impairment of mineral properties | - | 119,550 |
| | (8,430) | (18,769) |
| Change in non-cash working capital | | |
| Increase in accounts receivable and other assets | (485) | (325) |
| (Decrease)/increase in accounts payable and accrued liabilities | (196) | 1,055 |
| Cash flows used by the operating activities of the continuing operations | (9,111) | (18,039) |
| Cash flows from/ (used) by the operating activities of the discontinued operations | 2,484 | (23,859) |
| | (6,627) | (41,898) |
| Cash flows from investing activities | | |
| Expenditures on property, plant and equipment | (293) | - |
| Net cash acquired on acquisition of Lero | - | 34,051 |
| Proceeds from net investment in residual oil and gas interests | 480 | 329 |
| Net proceeds from disposal of Varvarinskoye Project | 5,072 | - |
| Cash flows from the investing activities of the continuing operations | 5,259 | 34,380 |
| Cash flows used by the investing activities of the discontinued operations | (3,559) | (33,429) |
| | 1,700 | 951 |
| Cash flows from financing activities | | |
| Proceeds from exercise of stock options (note 10(a)) | - | 1,331 |
| Proceeds from debt | - | 5,000 |
| Lero cash advances to EMC pre-acquisition | - | 25,000 |
| Repayment of debt | - | (5,000) |
| Cash flows from the financing activities of continuing operations | - | 26,331 |
| Cash flows from/(used) in the financing activities of discontinued operations | 2,113 | (2,860) |
| | 2,113 | 23,471 |
| Decrease in cash and cash equivalents | (2,814) | (17,476) |
| Cash and cash equivalents - Beginning of year | 6,200 | 23,676 |
| Cash and cash equivalents - End of year | 3,386 | 6,200 |

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

Orsu Metals Corporations

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

1 Nature of operations

Orsu Metals Corporation (“Orsu” or the “Company”) is a dual listed (AIM: OSU, TSX: OSU) company, with its head office in London, England, which was formed on June 19, 2008 upon the acquisition of Lero Gold Corporation (“Lero”).

The Company’s principal activities are the mineral exploration and development of various licence areas within the Republic of Kyrgyzstan and the Republic of Kazakhstan including the Talas Project in northwest Kyrgyzstan. The Company had also operated its 100% owned Varvarinskoye open pit gold-copper mine in northern Kazakhstan (“Varvarinskoye” or the “Varvarinskoye Project”) until its disposal on October 30, 2009 to OJSC Polymetal (“Polymetal”). Following the completion of the sale, the Company and its remaining subsidiaries no longer have any outstanding long-term debt and hedging obligations. Further information regarding the disposal can be found in note 5 “Discontinued Operations and disposal of the Varvarinskoye Project”.

On December 3, 2008 the Company entered into a joint venture agreement (the “JV Agreement”) with Gold Fields Orogen Holding (BVI) Limited (“Gold Fields”) to further develop the Taldybulak-Talas property. Under the JV Agreement Gold Fields became the project operator and had the right to earn up to a 70% stake in the Talas property. As at December 31, 2009 the Company held a 100% interest in the Taldybulak-Talas property however in February, 2010 the Company was advised that Gold Fields had completed the First Phase of the JV Agreement by funding exploration expenditures of CAD\$10 million and, in so doing, Gold Fields has earned a 60% stake in the Talas property. Further information can be found in note 18 “Subsequent events”.

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 became due and, accordingly, the appropriateness of using accounting principles applicable to going concern as at December 31, 2009.

At December 31, 2009, the Company had cash and cash equivalents of \$3.4 million and working capital of \$2.8 million (a working capital deficiency of \$68.6 million as at December 31, 2008). The funds on hand at December 31, 2009 are not sufficient to meet the Company’s corporate, administrative and exploration costs for the next twelve months. Additional financing will, therefore, be required to meet the Company’s obligations as they fall due. Due to this uncertainty, there is significant doubt about the ability of the Company to continue as a going concern.

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Management is actively pursuing additional sources of financing to maintain the company's operations and to meet its obligations as they fall due, and while it has been successful in raising such financing in the past, there can be no assurance it will be able to do so in the future.

These consolidated financial statements do not include the adjustments that would be necessary should the company be unable to continue as a going concern. Such adjustments could be material.

3 Significant accounting policies

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with Canadian GAAP. All amounts are presented in thousands of United States dollars unless otherwise stated in Canadian dollars which are denoted by "CAD\$". All tabular amounts are stated 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.

Pursuant to the sale of the Varvarinskoye Project by the Company to Polymetal on October 30, 2009, Polymetal acquired 100% of the share capital of Three K Mining and Exploration Limited ("Three K") and in so doing, 100% of the share capital of Three K's subsidiaries JSC Varvarinskoye ("JSCV") and Althames Exploration Limited ("AEL"). The Company has included the operating results of Three K, JSCV and AEL in the income statement up to the date of disposal; the net gain on disposal is also recorded in the income statement. Further information regarding the disposal can be found in note 5 "Discontinued operations and disposal of the Varvarinskoye project".

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

| | % interest |
|-----------------------------------------|-------------------|
| European Minerals (UK) Limited (“EMUK”) | 100 |
| Kazminco Oil Limited (“Kazminco”) | 100 |
| Lisburne Holdings Limited (“Lisburne”) | 55 |
| 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”) | 70 |
| Orsu Metals Kazakhstan LLP | 100 |

All intercompany balances and transactions are eliminated upon consolidation.

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 withheld by the refiner. 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.

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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.

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 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.

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.

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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 impairment is identified, the carrying value of the property is written down to its estimated fair value.

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, however, 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.

Office equipment is amortized on a straight line basis over 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.

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.

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Derivative instruments

All derivative financial instruments are classified as held for trading and are measured at fair value. The fair value of 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, counterparties to unwind the contract at the market rates in effect at the balance sheet date.

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.

4 Acquisition of Lero

On June 19, 2008, the Company announced the completion of the acquisition of Lero, a junior mining company engaged in the exploration and development of gold and base metal assets in Kyrgyzstan and Kazakhstan. Consideration for the acquisition was satisfied by the issuance of:

- 152,101,767 (pre consolidation) common shares of the Company with a fair value of CAD\$1.03 per share measured at the closing market price of the shares at the issue date (see note 10(a)).
- 3,105,881 (pre consolidation) warrants of the Company, as replacement for 3,105,881 warrants of Lero outstanding at the acquisition date (see note 10(b)).
- 6,575,000 (pre consolidation) stock options of the Company, as replacement for 6,575,000 stock options of Lero outstanding at the acquisition date (see note 10(c)).

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- Prior to the closing of the acquisition, the Company received a loan of \$25 million from Lero (“the Lero Loan”) on May 12, 2008. The loan payable was extinguished upon acquisition and has been recorded as a reduction of the purchase price.

The Company engaged a valuation specialist to assist in the valuation of the mineral properties acquired at June 19, 2008. A market approach was used for the valuations, which compared the implied value of gold equivalent ounces of similar junior mining exploration companies operating in Central Asia. At December 31, 2008 and following a sharp decline in general market conditions and the Company’s share price, management completed an impairment assessment of the acquired Lero properties, resulting in an impairment charge \$119.6 million.

5 Discontinued operations and disposal of the Varvarinskoye Project

On October 30, 2009 the Company completed the sale of its Varvarinskoye Project to Polymetal, pursuant to which Polymetal acquired 100% of the shares in Three K. Three K owned 100% (directly and indirectly) of JSCV and upon completion held (directly and indirectly) all debt and hedging obligations relating to the Varvarinskoye Project. As a result of the sale Orsu was released from all of its financial and guarantor obligations in the Varvarinskoye Project.

The Company has, in accordance with CICA 3475, accounted for the financial results associated with the Varvarinskoye Project up to the date of disposal as discontinued operations in these financial statements and has reclassified the related amounts for the current and prior period. The results of operations related to discontinued operations for the ten month period to October 30, 2009 are shown below. Per CICA 3475, depreciation on property, plant and equipment for the Varvarinskoye Project has not been recorded since June 30, 2009, to the date of disposal October 30, 2009.

Upon the disposal of the Varvarinskoye Project, the Company realized a net gain on disposal of \$161 million, taking into account the initial sale consideration received of \$8 million, costs of disposal of \$2.9 million, inter-company debt write-offs of \$80.2 million and the assets and liabilities associated with the Varvarinskoye Project as at the date of disposal.

Future deferred consideration of up to a maximum of \$12 million may also be received, depending upon the hedging program entered into by the purchaser, future gold and copper metal prices and the future cash flows of JSCV. The value and timing of the future deferred consideration will vary depending on the future price of gold and copper and accordingly, is accounted for as a derivative. Due to the uncertainties surrounding future gold and copper metal prices and the future cash flows of JSCV, the future deferred consideration has been assigned an immaterial fair value under Canadian GAAP as at the date of disposal and as at December 31, 2009.

As at the date of disposal, the Company had been unable to meet any of its debt repayments under the Varvarinskoye Project long-term debt facility. Upon completion of the sale, the Company was released from its obligations under the long-term debt facility, which had an outstanding balance of \$60.9 million immediately prior to the release.

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The Company was also granted a release from its obligations under the Varvarinskoye Project derivative liabilities, primarily US dollar flat forward gold sales contracts. As at the date of disposal, the Company had been unable to meet any of its gold forward contract settlement obligations for 2009 of \$23 million for closed contracts. In addition, as at the date of disposal, the Company had a future liability of \$152 million for future (open) contracts (before credit risk adjustments). The future obligation had been valued on a mark to market basis as at October 30, 2009.

The following table shows the results related to discontinued operations for the 10 month period ended October 30, 2009 and the year ended 2008:

| | 10 months ended October 30, 2009 \$ | Year ended December 31, 2008 \$ (Restated - note 6) |
|------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------|
| Sales revenues | 71,790 | 42,619 |
| Cost of sales | (53,302) | (70,604) |
| Other expenses | (69,648) | (17,439) |
| Impairment of Varvarinskoye assets | - | (179,440) |
| Loss from discontinued operations before income tax | (51,160) | (224,864) |
| Recovery of future income taxes | - | 6,686 |
| Loss from discontinued operations | (51,160) | (218,178) |
| Net gain on disposal of discontinued operations | 160,812 | - |
| Gain/(loss) from discontinued operations | 109,652 | (218,178) |

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The calculation of the net gain on disposal of the Varvarinskoye Project is summarised in the table below:-

| | As at October 30, 2009 \$ |
|------------------------------------------------------------|----------------------------------------------|
| Net liabilities disposed of | |
| Current liabilities | 78,510 |
| Other liabilities | 232,287 |
| Less | |
| Current assets | (56,130) |
| Tangible assets | <u>(18,722)</u> |
| Net liabilities of discontinued operations disposed | 235,945 |
| Less | |
| Disposal costs | (2,928) |
| Subsidiary receivables written off | <u>(80,205)</u> |
| | 152,812 |
| Cash proceeds from sale | <u>8,000</u> |
| Net gain from disposal of discontinued operations | <u>160,812</u> |

6 Accounting changes and accounting policy developments

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

Accounting changes

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.

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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 17% 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.

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets* ("CICA 3064"), 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 CICA 3064. CICA 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 CICA 3064, the Company defined commercial production levels 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. However, the Company had previously treated all pre-commercial production operating expenses, including applicable stock compensation costs and interest, as capitalised development costs net of pre-commercial production metal revenues.

The Company adopted the revised guidance of CICA 3064 retroactively. The impact on the income statement for the year ended December 31, 2008, prior to the change in presentation for discontinued operations, was to increase sales by \$15.5 million, increase cost of sales by \$19.1 million, increase other expenses by \$6 million and decrease impairment loss by \$9.6 million. Net loss for the year was unchanged.

New accounting pronouncements

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 % of the equity interest in the acquiree is owned at the acquisition date.

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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 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.

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7 Exploration properties

The exploration licences held by the Company are as follows:

| | 2009 \$ | 2008 \$ |
|-----------------------------|---------------|---------------|
| Exploration property | | |
| Talas | 13,007 | 13,007 |
| Tokhtazan | 8,300 | 8,300 |
| Karchiga | 5,891 | 5,891 |
| | <u>27,198</u> | <u>27,198</u> |

Talas exploration licence, Kyrgyzstan

The Talas exploration licence area is comprised of the Taldybulak, Kentash, Barkol and Korgontash licences in Kyrgyzstan. The primary exploration property within the Talas licence area is the Taldybulak copper-gold porphyry deposit.

Tokhtazan exploration licence, 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.

The exploration licenses expired following the end of December 31, 2009. The Company has received extensions to the end of February, 2010, and has met with the appropriate government departments to have the licenses extended or renewed. Management expects that the licenses will be renewed or extended to allow for continued exploration of the properties, however, there can be no assurance that the extensions or renewals will be granted.

Karchiga exploration licence, Kazakhstan

The Karchiga exploration licence contains the Karchiga VMS deposit. The Karchiga copper-gold deposit is located in the northeast of the Republic of Kazakhstan.

The Company's sub soil use rights and licences may be at risk if the Company fails to comply with the numerous consents, permits and registrations from various regulatory authorities. The Company must also meet its obligations under work programmes approved between the Company and the regulatory authorities.

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8 Net investment in oil and gas residual interests

| | 2009 \$ | 2008 \$ |
|-----------------------------|------------|------------|
| Balance - Beginning of year | 884 | 1,364 |
| Royalty income | (241) | (480) |
| Balance - End of year | 643 | 884 |

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.

9 Income taxes

- a) The income taxes shown in the Consolidated Statements of Operations differ from the amount obtained by applying statutory rates due to the following:

| | 2009 | 2008 |
|----------------------------------------------------------------|----------|-----------|
| Statutory tax rate | 30% | 30% |
| | \$ | \$ |
| Net loss before income tax recovery from continuing operations | (10,612) | (139,573) |
| Recovery of income taxes based on statutory rates | 3,184 | 41,872 |
| Change in valuation allowance | (1,822) | (1,112) |
| Different tax rates of foreign jurisdictions | (99) | (891) |
| Non-deductible expenses | (1,263) | (4,730) |
| Future income tax recovery | - | 35,139 |

The net income tax recovery in 2008 of \$35.1 million, related to the impairment of the Lero mineral properties for \$119.6 million (see note 4).

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The impact of tax rate changes reflects the statutory rates applicable in the UK, Canada, Kazakhstan and Kyrgyzstan.

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The significant components of the Company's future income tax assets and liabilities are as follows:

| | 2009 \$ | 2008 \$ |
|--------------------------------------|------------|------------|
| Future income tax assets | | |
| Tax loss carry forwards | 24,505 | 17,695 |
| Deductible temporary difference | 261 | 206 |
| Deferred financing costs and other | 784 | 915 |
| | <hr/> | <hr/> |
| | 25,550 | 18,816 |
| Less: Valuation allowance | (25,550) | (18,816) |
| | <hr/> | <hr/> |
| | - | - |
| Future income tax liabilities | | |
| Property, plant and equipment | (6,877) | (6,877) |
| | <hr/> | <hr/> |
| Net future income tax liability | (6,877) | (6,877) |
| | <hr/> | <hr/> |

b) As at December 31, 2009, the Company has the following tax loss carry forwards:

| | \$ |
|-------------------------------------------------------------------------------|--------|
| Canadian income tax losses that expire from 2025 to 2029 | 1,782 |
| UK net operating losses with no expiry | 55,520 |
| UK capital losses which may be offset against capital gains with no expiry | 2,909 |
| Kyrgyzstan loss carry forwards that expire from 2011 to 2014 | 11,203 |
| Kazakhstan income tax loss carry forwards that expire from 2018 to 2019 | 6,340 |

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10 Share capital

a) Authorized

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

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

| | 2009 | | 2008 | |
|-------------------------------------------------------------------------------------|------------------------------|--------------|------------------------------|--------------|
| | Number of shares 000's | Amount \$ | Number of shares 000's | Amount \$ |
| Balance - Beginning of year | 456,959 | 361,440 | 302,804 | 204,553 |
| Share consolidation (see note (i)) | (411,263) | - | - | - |
| Common shares issued on acquisition (see note (ii)) | - | - | 152,102 | 154,624 |
| 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 |
| Balance - End of period | 45,696 | 361,440 | 456,959 | 361,440 |

Notes:

- i) On November 24, 2009 the Company completed the consolidation of its common shares on a ten for one basis leaving a total issued capital of common shares of 45,696,049 as at December 31, 2009.
- ii) The Company issued 152,101,767 common shares (pre-consolidation) at market value CAD\$1.03 to acquire all the outstanding common shares of Lero of June 27, 2008.

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b) Share purchase warrants

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

| | 2009 | | | 2008 | | |
|------------------------------------------|---------------------|----------------------------|------------------------------|---------------------|----------------------------|------------------------------|
| | Value Assigned US\$ | Warrants Outstanding 000's | Average exercise price CAD\$ | Value Assigned US\$ | Warrants Outstanding 000's | Average exercise price CAD\$ |
| Balance - Beginning of year | 48,650 | 128,547 | 1.28 | 46,629 | 130,441 | 1.16 |
| Warrants consolidation (see note (i)) | - | (115,692) | - | - | - | - |
| 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 |
| Forfeited | - | - | - | - | (7,500) | 1.20 |
| Balance - End of year | <u>48,650</u> | <u>12,855</u> | 12.76 | <u>48,650</u> | <u>128,547</u> | 1.28 |

Note:

- i) As a result of the share consolidation effective November 24, 2009, the number of shares issuable upon the exercise of the Company's listed warrants (OSU.WT.A and OSU.WT.B) and their exercise price were also adjusted on a ten for one basis.

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

| | | | 2009 |
|----------------------|-------------------|--|---------------|
| Exercise Price CAD\$ | Expiry date | | Number 000's |
| 12.00 | April 11, 2010 | | 7,189 |
| 10.00 | November 30, 2010 | | 200 |
| 15.50 | March 21, 2011 | | 4,045 |
| 9.20 | October 17, 2011 | | 860 |
| 10.00 | May 9, 2010 | | 200 |
| 12.00 | April 17, 2010 | | 50 |
| 8.50 | April 29, 2010 | | 311 |
| | | | <u>12,855</u> |

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

| | 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.

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

| | 2009 | | | 2008 | | |
|--------------------------------------------|---------------------|---------------------------|------------------------------|---------------------|---------------------------|------------------------------|
| | Value Assigned US\$ | Options Outstanding 000's | Average exercise price CAD\$ | Value Assigned US\$ | Options Outstanding 000's | Average exercise price CAD\$ |
| Balance - Beginning of year | 19,000 | 41,890 | 0.84 | 13,567 | 24,265 | 0.83 |
| Issued | - | - | - | 3,105 | 16,125 | 0.82 |
| Amounts vested in period | 2,012 | - | - | - | - | - |
| Fair value of options assumed from Lero | - | - | - | 4,346 | 6,575 | 0.46 |
| Exercised | - | - | - | (702) | (1,800) | 0.75 |
| Forfeited | (3,595) | (10,050) | - | (1,316) | (3,275) | 0.65 |
| Expired | (4,867) | (10,990) | - | - | - | - |
| Share options consolidation (see note (i)) | - | (18,765) | - | - | - | - |
| Balance - End of year | <u>12,550</u> | <u>2,085</u> | 8.08 | <u>19,000</u> | <u>41,890</u> | 0.84 |

Note:

- i) As a result of the consolidation of common shares issued effective November 24, 2009, the number of shares issuable upon the exercise of the share options, and their exercise price, were adjusted on a ten for one basis

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

| Range of prices CAD\$ | Number of options | Weighted average years to expire | Average exercise price CAD\$ | Number of exercisable options | Average exercise price CAD\$ |
|-----------------------|-------------------|----------------------------------|------------------------------|-------------------------------|------------------------------|
| 2.40 - 4.99 | 250,000 | 2.27 | 3.45 | 242,500 | 3.48 |
| 5.00 - 9.99 | 1,555,000 | 5.08 | 8.00 | 1,225,625 | 7.93 |
| 10.00 - 14.90 | <u>280,000</u> | 2.26 | 12.60 | <u>280,000</u> | 12.60 |
| | <u>2,085,000</u> | 4.36 | 8.08 | <u>1,748,125</u> | 8.06 |

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11 Stock-based compensation

The Company uses the fair value method of accounting for stock-based compensation. During the year ended December 31, 2009, the Company expensed fair value of stock-based compensation of \$2.0 million (2008 - \$3.2 million). No stock options were granted during 2009 (2008 - 16.1 million (pre-consolidation)).

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

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

12 Contributed surplus

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

| | 2009 | 2008 |
|-------------------------------------------------------------|---------------|--------------|
| | \$ | \$ |
| Balance - Beginning of year | 2,715 | 1,399 |
| Transfer of fair value of forfeited incentive stock options | 8,462 | 1,316 |
| Balance - End of year | <u>11,177</u> | <u>2,715</u> |

13 Commitments

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

| | 2010 | 2011 | 2012 | 2013 | 2014 + | Total |
|-------------------|-------------|-------------|-------------|-------------|---------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Lease obligations | 352 | - | - | - | - | 352 |

14 Capital disclosures

The Company considers the items included in the shareholders' equity to be capital. As an exploration stage company, the Company issues new capital in order to fund ongoing operations and acquire new assets.

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15 Financial risk management

Fair values

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

Held for trading and available for sale 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.

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

| | Held-for- trading \$ | Other financial liabilities \$ | Total carrying amount \$ |
|------------------------------------------|-------------------------------------|---------------------------------------------------|---------------------------------------------|
| Financial assets | | | |
| Cash and cash equivalents | 3,386 | - | 3,386 |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | - | 2,455 | 2,455 |

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

| | Available for sale \$ | Held-for- trading \$ | Other financial liabilities \$ | Total carrying amount \$ |
|-------------------------------------------------------------|-----------------------------|----------------------------|-----------------------------------------|-----------------------------------|
| Financial assets | | | | |
| Cash and cash equivalents | - | 6,200 | - | 6,200 |
| Financial assets related to discontinued operations | 2,223 | - | - | 2,223 |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | - | - | 2,644 | 2,644 |
| Financial liabilities related to discontinued operations | 192,541 | - | - | 192,541 |

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

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 December 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 \$ |
|---------------------------------------------|-------------|---------------------------|-------------------|-------------------|-------------------------|
| Accounts payable and accrued liabilities | 2,455 | 2,455 | - | - | - |

Currency risk

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

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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, Kazakh Tenge and Kyrgyz SOM. The impact on earnings (including exploration expenditures) of a 10% appreciation or devaluation in currencies is as follows:

| | 10% devaluation \$000s | 10% appreciation \$000s |
|------------------|---------------------------------------|----------------------------------------|
| Kazakhstan Tenge | 181 | (220) |
| Kyrgyzstan Som | 721 | (882) |
| Canadian Dollar | 175 | (215) |

Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and short-term deposits.

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

| | December 31, 2009 \$ | Impact of LIBOR change on net earnings | |
|--------------|-------------------------------------|---------------------------------------------------|---------------------------|
| | | 1% increase \$ | 1% decrease \$ |
| Cash at bank | 3,168 | 32 | (32) |

The Cash at Bank balances only includes interest bearing accounts held at the Company's head office in London. Local overseas bank accounts are non interest bearing.

16 Contingencies

Class action 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). The plaintiffs claimed general and special damages in the amount of CAD\$50,000,000 and punitive damages in the amount of CAD\$5,000,000.

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

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On November 26, 2009, the Company signed an agreement (the "Agreement") to settle the Claim for CAD\$2.2 million, shared equally between Orsu and Orsu's insurer, and the Company remitted its share of the settlement funds in November 2009. In entering into the Agreement, neither the Company nor any of the other defendants have made any admission of liability, wrongdoing or fault in relation to the Claim. The Company has reflected its share of the settlement cost, of CAD\$1.1 million, in these financial statements.

In February, 2010 the settlement of the Claim was approved by the Ontario Superior Court of Justice and the settlement becomes effective on March 22, 2010 after the expiry of a 30-day appeal period.

17 Segmented reporting

The segment reporting for Orsu is split between the results of the discontinued operations for the ten months ended October 30, 2009 covering all activities associated with Varvarinskoye Project, and continuing operations which cover mineral exploration and development activities and head quarter charges for the year ended December 31, 2009. Segmental information for the year ended December 31, 2009 is as follows:

| | Discontinued and disposed operations | Mineral exploration and development (Kazakhstan and Kyrgyzstan) | (UK) Corporate | Total |
|------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Sales revenues | 71,790 | - | - | 71,790 |
| Cost of sales | (53,302) | - | - | (53,302) |
| Other costs | (69,648) | (1,636) | (8,976) | (80,260) |
| Net operating loss | (51,160) | (1,636) | (8,976) | (61,772) |
| Net gain from disposal of discontinued operations | 160,812 | - | - | 160,812 |
| Net income/(loss) for the year | 109,652 | (1,636) | (8,976) | 99,040 |
| Property, plant and equipment | | 708 | 370 | 1,078 |
| Total assets | | 29,271 | 4,894 | 34,165 |
| Capital expenditure | | 285 | 8 | 293 |

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Segmental information for the year ended December 31, 2008 is as follows:

| | Discontinued and disposed operations \$ | Mineral exploration and development (Kazakhstan and Kyrgyzstan) \$ | (UK) Corporate \$ | Total \$ |
|----------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
| Sales revenues | 42,619 | - | - | 42,619 |
| Cost of sales | (70,723) | - | - | (70,723) |
| Other costs | (17,320) | (2,288) | (17,735) | (37,343) |
| Impairment of mineral properties | - | (119,550) | - | (119,550) |
| Impairment of Varvarinskoye assets | (179,440) | - | - | (179,440) |
| Net loss before future income taxes | (224,864) | (121,838) | (17,735) | (364,437) |
| Future income taxes | 6,686 | 35,139 | - | 41,825 |
| Net loss for the year | (218,178) | (86,699) | (17,735) | (322,612) |
| Property, plant and equipment | 17,523 | 27,759 | 476 | 45,758 |
| Total assets | 70,052 | 33,733 | 2,872 | 106,657 |

The activities related to discontinued operations have been reclassified (note 5) and the financial results have been restated for a change in accounting policy (note 6).

18 Subsequent events

- a) In February, 2010, the Company was advised that Gold Fields had completed the First Phase of the Talas Joint Venture in the Kyrgyz Republic and exercised its First Phase earn-in option after satisfying the First Phase option premium by funding exploration expenditures of C\$10 million and, in so doing, had earned a 60% interest in the joint venture company which is the indirect owner of the Taldybulak, Barkol, Kentashand Korgontash properties in the Talas region of the Kyrgyz Republic. Gold Fields also advised the Company that it would not exercise the Second Phase Option to increase its interest in the Talas Joint Venture company to 70%