

Orsu Metals Corporation

Consolidated Financial Statements
December 31, 2010 and 2009
(in thousands of US dollars)

Independent Auditor's Report

To the Shareholders of Orsu Metals Corporation

We have audited the accompanying consolidated financial statements of Orsu Metals Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31 2010 and 2009 and the consolidated Statements of Operations, Comprehensive (Loss) Income and Deficit, and Cash Flows, for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orsu Metals Corporation and its subsidiaries as at December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

March 18, 2011
Vancouver, Canada

Orsu Metals Corporation

Consolidated Balance Sheets

As at December 31, 2010 and 2009

(in thousands of US dollars)

	2010 \$	2009 \$
Assets		
Current assets		
Cash and cash equivalents	19,596	3,386
Current deferred consideration receivable (note 5b)	1,500	-
Prepaid and other receivables	1,217	1,860
	<u>22,313</u>	<u>5,246</u>
Long-term deferred consideration receivable (note 5b)	3,592	-
Exploration properties (note 6)	14,191	27,198
Office, furniture and equipment	449	1,078
Equity investment in Talas Joint Venture (note 7)	10,221	-
Other assets	392	643
	<u>51,158</u>	<u>34,165</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	792	2,455
Future income tax (note 8a)	3,094	6,877
	<u>3,886</u>	<u>9,332</u>
Shareholders' Equity		
Share capital (note 9a)	380,145	361,440
Share purchase warrants (note 9b)	24,133	48,650
Share purchase options (note 9c)	5,904	12,550
Contributed surplus (note 11)	50,696	11,177
Deficit	<u>(413,606)</u>	<u>(408,984)</u>
	<u>47,272</u>	<u>24,833</u>
	<u>51,158</u>	<u>34,165</u>
Discontinued operations and disposal of the Varvarinskoye Project (note 3)		
Commitments (note 12)		
Subsequent events (note 5b)		

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 Corporation

Consolidated Statements of Operations, Comprehensive (Loss) Income and Deficit For the years ended December 31, 2010 and 2009

(in thousands of US dollars)

	2010	2009
	\$	\$
(Expenses) income		
General and administrative	(4,578)	(5,946)
Exploration	(2,907)	(1,617)
Stock-based compensation (note 10)	(1,785)	(2,013)
Company's share of Talas Joint Venture losses	(970)	-
Interest expense	(1)	(54)
Interest income	117	19
Foreign exchange gains	410	124
Termination costs	-	(98)
Class action settlement	-	(1,027)
Loss from operating activities	<u>(9,714)</u>	<u>(10,612)</u>
Deferred consideration income (note 5a)	5,092	-
Net operating loss from the discontinued operations (note 3a)	-	(51,160)
Net gain from the disposal of the discontinued operations (note 3b)	-	160,812
Net (loss) income and comprehensive (loss) income for the year	<u>(4,622)</u>	<u>99,040</u>
Deficit - Beginning of year	(408,984)	(508,024)
Deficit - End of year	<u>(413,606)</u>	<u>(408,984)</u>
(Loss) income per common share		
Loss per common share from continuing operations	\$(0.08)	\$(0.23)
Income (loss) per common share from discontinued operations	\$0.04	\$(1.12)
Net (loss) income per common share	\$(0.04)	\$2.17
Weighted average number of common shares		
Basic and diluted (in thousands)	125,170	45,696

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

Orsu Metals Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(in thousands of US dollars)

	2010	2009
	\$	\$
Cash flows from operating activities		
Net loss for the year from operating activities	(9,714)	(10,612)
Items not affecting cash:		
Company share of Talas Joint Venture losses (note 7)	970	-
Depreciation	148	248
Stock-based compensation (note 10)	1,785	2,013
Fixed assets retirement	10	-
Unrealized foreign exchange gains	(570)	(79)
	<u>(7,371)</u>	<u>(8,430)</u>
Change in non-cash working capital		
Increase in prepaids and other receivable and other assets	(119)	(485)
Decrease in accounts payable and accrued liabilities	(784)	(196)
	<u>(903)</u>	<u>(681)</u>
Cash flows used by the operating activities of the continuing operations	<u>(8,274)</u>	<u>(9,111)</u>
Cash flows from investing activities		
Expenditures on property, plant and equipment	(50)	(293)
Proceeds from net investment in residual oil and gas interests	241	480
Funding of investment in Talas Joint Venture (note 7)	(951)	-
Cash flows (used by) from the investing activities of the continuing operations	<u>(760)</u>	<u>187</u>
Cash flows from financing activities		
Gross proceeds of share issue (note 9a)	27,646	-
Share issue costs (note 9a)	(2,402)	-
Cash flows from the financing activities of the continuing operations	<u>25,244</u>	<u>-</u>
Net cash flows from (used by) the continuing operations	<u>16,210</u>	<u>(8,924)</u>
Cash flows from discontinued operations		
Net proceeds from disposal of Varvarinskoye Project (note 3b)	-	5,072
Cash flows from the activities of discontinued operations	-	1,038
	<u>-</u>	<u>6,110</u>
Increase (decrease) in cash and cash equivalents	<u>16,210</u>	<u>(2,814)</u>
Cash and cash equivalents - Beginning of year	3,386	6,200
Cash and cash equivalents - End of year	<u>19,596</u>	<u>3,386</u>

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

(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) base and precious metals exploration and development company, with its head office in London, whose principal activities are the mineral exploration and development of various license areas within the Republic of Kazakhstan (or “Kazakhstan”) and the Kyrgyz Republic (or “Kyrgyzstan”).

The Company is the 70% indirect owner of the Karchiga exploration property in Kazakhstan and the 100% owner of the Akdjol-Tokhtazan exploration property in Kyrgyzstan. In addition, the Company has a 40% minority interest in Talas Copper Gold LLC (“TCG LLC”) in Kyrgyzstan, via its 100% parent Kami Associates Limited (“Kami” or the “Talas Joint Venture Company”), the holder of four licenses which comprise the Talas exploration license area (see note 6).

2 Significant accounting policies

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with 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 and that the Company will be able to meet its obligations as they become due.

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 expressed 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.

As at the date of these financial statements, the Company holds a 40% minority interest in the Talas Joint Venture Company (which it previously controlled). The Company continues to have significant influence over TCG LLC and as a result has accounted for the results of Kami and TCG LLC under the equity method (see note 7).

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

The principal subsidiaries of the Company as at December 31, 2010 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
Eildon Enterprises Limited (“Eildon”)	73.9
Oriel In Kyrgyzstan LLC (“OIK”)	100
GRK MLD LLC (“MLD”)	70
Orsu Metals Kazakhstan LLC	100

All inter-company 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 deferred consideration amounts receivable, mineral resource quantities, stock-based compensation and contingencies.

Cash and cash equivalents

Cash and cash equivalent balances include cash and short-term cash deposits with banks 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 statements of operations.

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.

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

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 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.

Office, furniture and equipment are amortized on a straight line basis over 4 to 10 years.

Investments

The Company accounts for its investments in companies over which it has significant influence using the equity basis of accounting whereby the investments are initially recorded at fair value and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies.

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 where the Company considers that these are unlikely to be realised, a valuation allowance is provided.

Deferred consideration receivable

In relation to the Company's discontinued operations (the "Varvarinskoye Project") the Company has the ability to earn deferred consideration the fair value of which is partly dependent on future copper and gold metal prices and, for this reason, is classified as a derivative instrument (see note 5). The fair value of the deferred consideration receivable is measured at each balance sheet date, classified between current and long term, and is calculated as the discounted net present value of expected future deferred consideration cash flows taking into account the counterparty credit risk. The fair value of the derivative instrument is adjusted at each balance sheet date and represents the amount that the Company estimates it will receive from the counterparty in effect at the balance sheet date, with changes in fair value recorded in the determination of net income for the year.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

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 expenses attributed to the direct award of stock to employees are measured at the fair value of the award at the grant date, using an option pricing model, and are recognized over the vesting period of the award. Compensation expenses for non-employees are 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 common 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 the basic and diluted loss per share are the same.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

3 Discontinued operations and disposal of the Varvarinskoye Project

The Company entered into a sale and purchase agreement (the “SPA”), dated June 13, 2009 with OJSC Polymetal (“Polymetal”) to sell 100% of its Varvarinskoye open pit gold-copper mine (the “Varvarinskoye Project”) for an initial consideration of \$8 million and deferred consideration of up to \$12 million (see note 5). On October 30, 2009, the Company completed the sale of its Varvarinskoye Project to Polymetal and, as a result, the Company was released from all of its financial and guarantor obligations relating to the Varvarinskoye Project.

The Company has in accordance with Canadian Institute of Chartered Accountants (“CICA”) 3475 accounted for the financial results associated with the Varvarinskoye Project as discontinued operations.

- a) The following results relate to discontinued operations for the 10-month period ended October 30, 2009:

	\$
Sales revenues	71,790
Cost of sales	(53,302)
Other expenses	(69,648)
Net operating loss from discontinued operations	<u>(51,160)</u>

- b) The calculation of the net gain on the disposal of the Varvarinskoye Project as at October 30, 2009 is summarized below:

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

4 Changes in Accounting Policies

Business combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, and provides the equivalent to International Financial Reporting Standards (“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. The Company has decided to early adopt this standard effective January 1, 2010 and this did not have an impact on the financial statements.

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

Section 1582. The Company has elected to early adopt these standards effective January 1, 2010. The adoption of this standard did have an impact on the Company's consolidated financial statements in accounting for its equity investment in the Talas Joint Venture (see note 7).

5 Deferred consideration income and receivable

	2010	2009
	\$	\$
Deferred consideration income for the year (note a)	5,092	-
Less: current deferred consideration receivable (note b)	(1,500)	-
	<hr/>	<hr/>
Long-term deferred consideration receivable (note b)	3,592	-

a) Deferred consideration income

Pursuant to the SPA the Company has the ability to earn deferred consideration up to a maximum of \$12 million (see note 3). As at December 31, 2010, the Company estimated the fair value of the deferred consideration receivable to be \$5.1 million (as at December 31, 2009, nominal value) and the full amount has been included in the Company's net loss for the year ended December 31, 2010.

The deferred consideration earnings are calculated annually for each calendar year from January 1, 2010 (each year referred to as a Deferred Consideration Period or "DCP") in accordance with the formula and related provisions set out in the SPA and is contingent upon the average gold and copper metal price levels during each DCP compared to gold and copper metal benchmark prices of \$1,130 per ounce for gold and \$6,527 per tonne for copper, effective as at the date of a hedging program entered into by Polymetal. For the 2010 DCP the total deferred consideration earned by the Company of \$2.7 million was based on an average actual daily A.M. gold price, as published by the London Bullion Market Association ("LBMA") of \$1,227 per ounce and an average actual daily copper grade A official price, as published by the London Metal Exchange ("LME"), of \$7,538 per tonne.

b) Deferred consideration receivable

As at December 31, 2010, the Company recognized a deferred consideration receivable asset of \$5.1 million, representing the net present value of the Company's estimated future deferred consideration earnings, based upon the Company's forecast of future gold and copper metal prices and adjusted for counterparty credit risk. The Company's forecast gold price range was from \$1,067 per ounce to \$1,285 per ounce and forecast copper price range was from \$6,292 per tonne to \$8,318 per tonne.

Pursuant to the SPA, the maximum amount of any deferred consideration earnings payable to the Company in any one year is limited to \$1.5 million. Any amounts earned but unpaid are carried forward to future years, together with accrued interest at LIBOR + 2%.

Of the \$5.1 million deferred consideration receivable asset as at December 31, 2010, the Company received \$1.5 million in cash in January 2011 (as the capped payment for the 2010 DCP earnings), which it recorded as a current deferred consideration receivable and classified the balance of \$3.6 million as a long-term deferred consideration receivable asset.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

6 Exploration properties

The exploration licenses held by the Company are as follows:

	2010	2009
	\$	\$
Talas (note a)	-	13,007
Akdjol-Tokhtazan (note b)	8,300	8,300
Karchiga (note c)	5,891	5,891
	<u>14,191</u>	<u>27,198</u>

Notes:

a) Talas exploration license area, Kyrgyzstan

The Talas exploration license area comprises the Taldybulak, Kentash, Barkol and Korgontash licenses in Kyrgyzstan. The primary exploration property within the Talas exploration license area is the Taldybulak copper-gold-molybdenum porphyry deposit. As at December 31, 2010, the Company held a 40% interest in the Talas Joint Venture Company (which it previously owned) and the Talas licenses and, under the equity method of accounting, the Company classifies the carrying value of its investment in the Talas exploration properties as “Equity investment in Talas Joint Venture” (see note 7 for further information). The Taldybulak license expires on December 31, 2015 and the Barkol license expires on December 31, 2013. The Kentash and Korgontash licenses expire on December 31, 2012.

b) Akdjol-Tokhtazan exploration license area, Kyrgyzstan

The Akdjol-Tokhtazan exploration license area is located in the Jalal-Abad Oblast, western Kyrgyzstan and comprises the Akdjol license and Tokhtazan license. During 2010, the company identified the Akdjol license area as a gold-silver epithermal prospect and the Tokhtazan license area as a gold prospect. The Akdjol and Tokhtazan licenses expire on December 31, 2012.

c) Karchiga exploration license, Kazakhstan

The Karchiga exploration license area contains the Karchiga Volcanic Massive Sulphide (“VMS”) copper deposit and is located in the northeast of Kazakhstan. The Karchiga license expires on February 28, 2012. On May 20, 2010, the Company entered into a sale and purchase agreement to acquire the remaining 26.1% of Eildon, which is the owner of a 94.75% interest MLD. The closing of the acquisition is subject to certain conditions, such as receipt of all necessary regulatory consents, including from the required authorities in Kazakhstan, which the Company has not yet received. Following the acquisition, the Company will indirectly own a 94.75% interest in the Karchiga exploration property.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

The Company's sub soil use rights and licenses 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.

7 Equity investment in Talas Joint Venture

In December 2008, the Company entered into a joint venture agreement (the "JV Agreement") with Goldfields Orogen Holdings BVI Limited ("Gold Fields") to further develop the Talas exploration properties (the "Talas Joint Venture"). As at December 31, 2009, through its ownership of Kami, the 100% owner of TCG LLC and the registered owner of the Talas Project, the Company held a 100% interest in the Talas Joint Venture and fully consolidated the results of the Talas Joint Venture in the financial statements of the Company as at that date.

Pursuant to the terms of the JV Agreement, Gold Fields, as the project operator, completed the "First Phase" of the Talas Joint Venture in January 2010, pursuant to which Gold Fields earned a 60% interest in Kami by funding exploration expenditures of CAD\$10 million and, in doing so, earned the ability to unilaterally control the operational, financial and investment decisions of the Talas Joint Venture Company. As a result, on the date of the Company's loss in control, the Company derecognised the assets and liabilities of both Kami and TCG LLC at their carrying amounts and recognised them as an investment, the fair value of which was determined to be their carrying amounts and, as such, no gain or loss was recognised in the year ended December 31, 2010. Subsequent to the Company's loss of control and as at December 31, 2010, per CICA 1602, the Company has accounted for the Talas Joint Venture under the equity method in the Company's financial statements (see note 2 "Investments" for further information).

A summary of the carrying value of the Company's equity investment in the Talas Joint Venture net of future income tax adjustments as at December 31, 2010 is set out below:

	\$
Fair value of equity investment as at January 1, 2010	10,240
Funding provided by the Company during the year	951
Less: Company's 40% share of operating losses for the year	(970)
Fair value of equity investment as at December 31, 2010	<u>10,221</u>

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

8 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:

	2010 \$	2009 \$
Statutory tax rate	28%	30%
Net loss before income tax recovery from continuing operations	(9,714)	(10,612)
Recovery of income taxes based on statutory rates	2,720	3,184
Change in valuation allowance	(1,572)	(1,822)
Different tax rates of foreign jurisdictions	(533)	(99)
Non-deductible expenses	(615)	(1,263)
Future income tax recovery	-	-

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:

	2010 \$	2009 \$
Future income tax assets		
Tax loss carried forward	63,055	67,495
Deductible temporary difference	192	261
Deferred financing costs and other	516	784
	63,763	68,540
Less: Valuation allowance	(63,763)	(68,540)
	-	-
Future income tax liabilities		
Property, plant and equipment	(3,094)	(6,877)
Net future income tax liability	(3,094)	(6,877)

The Company determined total future income tax assets of \$68.5 million as at December 31, 2009 after including 2009 non trading losses of \$171 million but reduced to \$nil after valuation allowances.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

b) As at December 31, 2010, the Company has the following tax losses to carry forward:

	\$
Canadian income tax losses that expire from 2025 to 2029	2,406
UK operating losses with no expiry	33,141
UK capital losses which may be offset against UK capital gains with no expiry	2,909
UK non trading losses which may be carried forward with no expiry	171,154
Kyrgyzstan operating losses that expire from 2011 to 2015	2,594
Kazakhstan operating losses carried forward that expire from 2018 to 2019	8,980

UK Corporation tax

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget statement. The Finance (No 2) Act 2010 reduces the main rate of corporation tax from 28% to 27.5% from April 1, 2011. Further reductions to the main rate have been proposed to reduce the rate by 1% per annum to 24% by April 1, 2014. The proposed future reductions of the main rate of corporation tax to 24% by April 1, 2014 are expected to be enacted separately each year.

9 Share capital

a) Authorized share capital

The Company is authorized to issue 100,000,000,000 common shares of no par value. As at December 31, 2010, the total issued share capital of the Company was 157,696,049 common shares.

A summary of the changes in the Company's issued share capital for the years ended December 31, 2010 and 2009 is set out below:

	<u>2010</u>		<u>2009</u>	
	Number of shares 000's	Amount \$	Number of shares 000's	Amount \$
Balance - Beginning of year	45,696	361,440	456,959	361,440
Gross proceeds from Offering (note i)	112,000	21,445	-	-
Share issue costs (note ii)	-	(1,862)	-	-
Broker warrants (note iii)	-	(878)	-	-
Share consolidation (see note iv)	-	-	(411,263)	-
Balance - End of year	<u>157,696</u>	<u>380,145</u>	<u>45,696</u>	<u>361,440</u>

Notes:

- i. On April 16, 2010, the Company completed a public offering of its units (each a "Unit") and sold 112 million Units at a Unit price of CAD\$0.25 raising gross proceeds of \$27.6 million (CAD\$28 million), (the "Offering"). Each unit comprised one common share of the Company and a one half of one common share purchase warrant (each whole warrant a "Warrant") with an exercise price of

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

CAD\$0.50 for each Warrant. The Company has allocated the Offering of \$27.6 million on a pro rata basis between Share Capital and Share Purchase Warrants;

- ii. In relation to the Offering the Company incurred share issue costs of \$2.4 million in total. This was made up of a payment of CAD\$1,680,000 Agent's fee (see note 15 "Transactions with related parties") and legal and professional costs of \$0.7 million. These costs have also been allocated on a pro rata basis between Share Capital and Share Purchase Warrants;
- iii. Also in relation to the Offering the Company granted 6,720,000 non transferrable broker warrants (each a "Broker warrant") equal to 6% of the total Units sold to the Agent (see note 15 "Transactions with related parties") at an exercise price of CAD\$0.25 per Broker warrant. The Company calculated the fair value for these Broker warrants, using the Black Scholes model, to be \$1.1 million and allocated the charge on a pro rata basis between Share Capital and Share Purchase Warrants;
- iv. 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.

b) Share purchase warrants

A summary of the changes in the Company's share purchase warrants for the years ended December 31, 2010 and 2009 is set out below:

	2010			2009		
	Warrants outstanding 000's	Value assigned US\$	Average exercise price CAD\$	Warrants outstanding 000's	Value assigned US\$	Average exercise price CAD\$
Balance - Beginning of year	12,855	48,650	12.76	128,547	48,650	1.28
Warrants granted with Offering (note i)	56,000	6,201		-	-	
Allocated share issue costs (note ii)	-	(540)		-	-	
Broker warrants granted (note iii)	6,720	1,131		-	-	
Allocated broker warrant cost (note iii)	-	(253)		-	-	
Warrants expired (note iv)	(7,950)	(31,056)		-	-	
Warrants consolidation (note v)	-	-		(115,692)	-	
Balance - End of year	<u>67,625</u>	<u>24,133</u>	1.49	<u>12,855</u>	<u>48,650</u>	12.76

Notes:

- i. In relation to the Offering the Company granted 56 million Warrants for a period of two years with an exercise price of CAD\$0.50 for each Warrant. The Company has allocated the gross proceeds of \$27.6 million on a pro-rata basis between Share Capital and Share Purchase Warrants;
- ii. As stated in note 9 a), the Company incurred share issue costs of \$2.4 million in relation to the Offering. These costs have also been allocated on a pro rata basis between Share Capital and Share Purchase Warrants;

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

- iii. Also in relation to the Offering the Company granted 6,720,000 Broker warrants to the Agent (see note 15 “Transactions with related parties”). Each Broker Warrant entitles the Agent to acquire one Common Share of the Company at an exercise price of CAD\$0.25 per Broker Warrant for a period of two years following the closing date of the Offering. The Company calculated the fair value for these Broker warrants, using the Black Scholes model, to be \$1.1 million and allocated this on a pro rata basis between Share Capital, \$878,000, and Share Purchase Warrants, \$253,000;
- iv. As at December 31, 2010, 8 million warrants previously issued to lenders of debt and equity holders in relation to the Varvarinskoye Project expired;
- v. 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. As a result the Company had 12,855,049 warrants outstanding as at December 31 2009.

A summary of the share purchase warrants outstanding and exercisable as at December 31, 2010 is set out below:

		2010
Exercise Price CAD\$	Expiry date	Number 000’s
15.50	March 21, 2011	4,045
9.20	October 17, 2011	860
0.50	April 16, 2012	56,000
0.25	April 16, 2012	6,720
		<u>67,625</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:

	Broker warrants issued in 2010	Warrants issued to debt facility and equity lenders issued from 2006 to 2008
Risk free interest rate	1.78%	2.72%
Expected dividend yield	nil	nil
Expected stock price volatility	149.95%	57.42%
Expected warrant life	2 years	2 years

Pricing models require the input of highly subjective assumptions, including the expected price volatility.

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

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 the years ended December 31, 2010 and 2009 is set out below:

	2010			2009		
	Options outstanding 000's	Value assigned US\$	Average exercise price CAD\$	Options outstanding 000's	Value assigned US\$	Average exercise price CAD\$
Balance - Beginning of year	2,085	12,550	8.08	41,890	19,000	0.84
Options granted April 2010 (note i)	13,250	1,532		-	-	
Options granted April 2010 forfeited	(713)	(68)		-	-	
Options granted June 2010 advisors (note ii)	200	13		-	-	
Options granted August 2010 (note iii)	500	24		-	-	
Options granted October 2010 advisors (note iv)	300	19		-	-	
Options granted October 2010 (note v)	500	32		-	-	
Options granted December 2010 (note vi)	500	10		-	-	
Options vested	-	255		-	2,012	
Options forfeited	(647)	(2,461)		(10,050)	(3,595)	
Options lapsed	(30)	(620)		(10,990)	(4,867)	
Options cancelled (note vii)	(1,237)	(5,382)		-	-	
Share options consolidation (note viii)	-	-		(18,765)	-	
Balance - End of year	<u>14,708</u>	<u>5,904</u>	0.45	<u>2,085</u>	<u>12,550</u>	8.08

Notes:

- i. On April 16, 2010, the Company granted 13,250,000 options to directors, employees and consultants of the Company for a period of 5 years at an exercise price of CAD\$0.25 and vesting between October 16, 2010 and April 16, 2012;
- ii. On June 29, 2010, the Company granted 200,000 options to Vanguard Inc. as an advisory fee, for a period of 3 years at an exercise price of CAD\$0.25 and vesting between December 29, 2010 and June 29, 2012;
- iii. On August 10, 2010, the Company granted 500,000 options to an employee of the Company for a period of 5 years at an exercise price of CAD\$0.25 and vesting between January 1, 2011 and July 1, 2012;
- iv. On October 4, 2010, the Company granted 300,000 options to Vanguard Inc. as an advisory fee, for a period of 3 years at an exercise price of CAD\$0.32 and vesting between April 1, 2011 and October 1, 2012;

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

- v. On October 4, 2010, the Company granted 500,000 options to an employee of the Company for a period of 5 years at an exercise price of CAD\$0.32 and vesting between April 1, 2011 and October 1, 2012;
- vi. On December 7, 2010, the Company granted 500,000 options to a director of the Company for a period of 5 years at an exercise price of CAD\$0.30 and vesting between June 7, 2011 and December 7, 2012;
- vii. On December 7, 2010, the Company cancelled 1,237,500 options previously granted to directors and employees of the Company. As a result the Company reclassified the fair value of \$5.4 million from stock purchase options to contributed surplus as at December 31, 2010;
- viii. 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, 2010 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\$
0.25 – 2.39	14,300,000	4.28	0.26	3,125,000	0.25
2.40 – 4.99	95,000	1.99	3.20	95,000	3.20
5.00 – 9.99	292,500	4.04	8.26	292,500	8.26
10.00 – 14.90	20,000	1.26	12.60	20,000	12.60
	<u>14,707,500</u>	4.26	0.45	<u>3,532,500</u>	0.84

10 Stock-based compensation

The Company uses the fair value method of accounting for stock-based compensation. For the year ended December 31 2010, the Company expensed fair value of stock-based compensation of \$1.8 million (year ended December 31, 2009, \$2.0 million).

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

	2010
Risk free rate	0%-2.37%
Expected dividend yield	Nil
Expected stock price volatility	132%-140%
Expected options life	2.8-3.0 years

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

11 Contributed surplus

A summary of the changes in the Company's contributed surplus for the years ended December 31, 2010 and 2009 is set out below:

	2010	2009
	\$	\$
Balance - Beginning of year	11,177	2,715
Transfer of fair value of forfeited and lapsed stock options	8,463	8,462
Transfer of fair value of expired warrants	31,056	-
Balance - End of year	<u>50,696</u>	<u>11,177</u>

12 Commitments

The following table summarizes the commitments of the Company as at December 31, 2010:

	2011	2012	2013	2014	2015 +	Total
	\$	\$	\$	\$	\$	\$
Lease obligations	258	344	344	344	691	1,981

The Company's lease obligations are for its London head office property rents, payable under a lease agreement expiring in 2016. The rent payable is subject to an ongoing review in 2011, which may affect the future lease obligations from February 2011 onwards.

13 Capital disclosures

The Company considers the items included in the shareholders' equity to be capital. As an exploration company, the Company issues new capital to fund ongoing exploration and development activity, head office expenditures and the potential acquisition of new assets.

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.

14 Financial risk management

Fair values

Under Canadian GAAP the Company is required to disclose information about the fair value of its financial assets.

Derivative assets are recorded at fair value determined by the use of valuation models which use actual and forecast metal prices and adjusted for the counterparty's own credit risk. 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 derivative instruments are recorded in net earnings.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

Cash and cash equivalents are recorded at fair value in local currency. Where cash and cash equivalents are held in currency other than US Dollars then the exchange rate as at the balance sheet is used to translate to US Dollars and changes in the fair value are recorded in net earnings.

The Company estimates that carrying values of accounts payable and accrued liabilities approximate their fair values and changes in their fair value are recorded in net earnings.

Further to the requirements of Canadian GAAP, the Company has classified the financial assets using a fair value hierarchy that reflects the significance of the inputs in determining their fair value. The fair value hierarchy consists of the following levels which classify these inputs:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability and,

Level 3 – inputs for the asset or liability that are not based on observable market data.

As at December 31, 2010, the carrying value and fair value of financial instruments held at fair value are as follows:

	Carrying Value	Fair Value	Fair Value hierarchy Level
Financial assets			
Cash and cash equivalents	19,596	19,596	2
Deferred consideration receivable	5,092	5,092	3

As at December 31, 2009, the carrying value and fair value of financial instruments held at fair value are as follows:

	Carrying Value	Fair Value	Fair Value hierarchy Level
Financial assets			
Cash and cash equivalents	3,386	3,386	2

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

Derivative assets are recorded at fair value and are determined through the use of valuation models which use actual and forecast metal prices and consider the counterparty's own credit risk. 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 derivative instruments are recorded in net earnings.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

Held for trading financial assets are recorded at fair value in local currency. Where cash and cash equivalents are held in currency other than US Dollars then the exchange rate as at the balance sheet is used to translate to US Dollars and changes in the fair value are recorded in net earnings.

The Company estimates that carrying values of other financial liabilities approximate their fair values. Changes in the fair value of the other financial liabilities are recorded in net earnings.

The following provides a summary of the carrying values of each classification of financial instrument as at December 31, 2010:

	Derivative receivable \$	Held-for- trading \$	Other financial liabilities \$	Total carrying amount \$
Financial assets				
Cash and cash equivalents	-	19,596	-	19,596
Deferred consideration receivable	5,092	-	-	5,092
Financial liabilities				
Accounts payable and accrued liabilities	-	-	792	792

The fair value of the Company's accounts payable and accrued liabilities approximates the carrying value in the financial statements.

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

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations.

The Company's maximum exposure to credit risk as at December 31, 2010 is as follows:

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

	2010	2009
	\$	\$
Cash and cash equivalents		
Cash	14,009	3,386
Term deposits for 90 days or less	5,587	-
Deferred consideration receivable		
Currently due	1,500	-
Due greater than 12 months	3,592	-

The Company's maximum exposure to credit risk at the balance sheet date under its financial instruments is limited to cash and cash equivalents of \$19.6 million (2009, \$3.4 million) and its deferred consideration receivable of \$5.1 million (2009, nominal amount). The Company's cash and short-term deposits are all held at banks with a minimum credit rating (as defined by recognized credit agencies) of "A-1" and as such, the Company believes that these banks do not have a significant exposure to credit risk. The financial instrument which exposes the Company to credit risk is its deferred consideration receivable, the counterparty being Polymetal pursuant to the SPA (see notes 3 and 5).

Liquidity risk

The Company's policy is to manage liquidity risk by maintaining cash and cash equivalent balances sufficient to meet its short-term and long-term obligations.

As at December 31, 2010, 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	792	673	-	-	119

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. The majority of operating expenses are denominated in US Dollars, UK Sterling, Kazakh Tenge and Kyrgyz Som.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

Based on the operational expenditures to December 31, 2010 (including exploration expenditures) the impact on earnings (reported in US Dollars) of a 10% appreciation or depreciation in currencies is as follows:

	10% depreciation \$000s	10% appreciation \$000s
UK Sterling	184	(184)
Kazakhstan Tenge	255	(312)
Kyrgyzstan Som	203	(248)

Interest rate risk

The Company's interest rate risk arises primarily from bank interest received on cash deposits. The variable bank interest for cash deposits expose the Company to cash flow interest rate risk.

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

	December 31, 2010 \$	Impact of LIBOR change on net earnings	
		1% increase \$	1% decrease \$
Cash at bank	19,530	196	(196)

The cash at bank balance above only includes interest bearing accounts held by the Company's head office in London. Local overseas accounts are non interest bearing.

Commodity price risk

The carrying value of the Company's deferred consideration receivable is subject to price risk from fluctuations in the market price of copper and gold metals.

The following table shows the impact on net earnings due to changes in the fair value of the deferred consideration receivable arising from a 10% change in copper and gold metal prices:

	December 31, 2010 \$	Impact of price changes on net earnings	
		10% increase \$	10% decrease \$
Deferred consideration receivable	5,092	-	(491)

Pursuant to the SPA, the value of the deferred consideration receivable asset as at December 31, 2010 of \$5.1 million already reflects the maximum potential deferred consideration earnings of \$12 million which the Company is entitled to receive and, as a result, there is a nil impact on the Company's net earning when copper and gold metal prices increase.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

15 Transactions with related parties

In April 2010, the Company entered into a related party transaction in the normal course of business with Canaccord Genuity Corp. (“Canaccord”) related through a director in common. The transaction was in connection with Canaccord providing its services as sole manager and book runner (the “Agent”) for the public offering of the Company’s Units completed on April 16, 2010 upon which the Company sold 112 million Units raising gross proceeds of CAD\$28 million (as disclosed in note 9). Canaccord received a fee of CAD\$1,680,000 (the “Agent’s fee”) and was reimbursed for expenses incurred relating to legal and other professional services in the amount of CAD\$303,094. Canaccord was also granted 6,720,000 Broker Warrants. The Agent’s fee and reimbursement of expenses along with the Broker Warrants granted to Canaccord were in the normal course of business and measured at the exchange amount, which is the amount agreed by both parties.

16 Segmented reporting

The segmental reporting for Orsu is split between the Company’s mineral exploration and development activities and the Company’s other corporate activities. Segmental information for the year ended December 31, 2010 is as follows:

	Discontinued operations	Mineral exploration and development (Kazakhstan and Kyrgyzstan)	Corporate (UK)	Total
	\$	\$	\$	\$
Deferred consideration income	5,092	-	-	5,092
General and administrative	-	(693)	(3,885)	(4,578)
Exploration	-	(2,907)	-	(2,907)
Talas Joint Venture losses	-	(970)	-	(970)
Stock-based compensation	-	-	(1,785)	(1,785)
Other expenses	-	(31)	557	526
Net loss for the period	<u>5,092</u>	<u>(4,601)</u>	<u>(5,113)</u>	<u>(4,622)</u>
Office, furniture and equipment	-	160	289	449
Total assets	5,092	25,562	20,504	51,158
Capital expenditure	-	14	36	50

Orsu Metals Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

Segmental information for the 12-month period ended December 31, 2009 is split between the results of the discontinued operations for the ten months ended October 30, 2009, covering all activities associated with discontinued operations, and continuing operations which cover mineral exploration and development activities and other corporate activities for the year ended December 31, 2009.

	Discontinued operations	Mineral exploration and development (Kazakhstan and Kyrgyzstan)	Corporate (UK)	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	<u>(51,160)</u>	<u>(1,636)</u>	<u>(8,976)</u>	<u>(61,772)</u>
Net gain on disposal of discontinued operations	160,812	-	-	160,812
Net income (loss) for the year	<u>109,652</u>	<u>(1,636)</u>	<u>(8,976)</u>	<u>99,040</u>
Office, furniture and equipment	-	708	370	1,078
Total assets	-	29,271	4,894	34,165
Capital expenditure	-	285	8	293