

Orsu Metals Corporation

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

Notice to Reader

The accompanying unaudited consolidated financial statements of Orsu Metals Corporation (“the Company”) have been prepared by and are the responsibility of the Company’s Management. The Company’s independent auditor has not performed a review of the Company’s unaudited interim consolidated financial statements as at, and for the quarter ended March 31, 2010.

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

Orsu Metals Corporation

Consolidated Balance Sheets

As at March 31, 2010 (unaudited) and December 31, 2009

(in thousands of US dollars)

	March 31, 2010 \$	December 31, 2009 \$
Assets		
Current assets		
Cash and cash equivalents	2,057	3,386
Prepaid and receivables	1,538	1,860
	<hr/>	<hr/>
	3,595	5,246
Exploration properties (note 5)	14,191	27,198
Office, furniture and equipment	510	1,078
Net investment in oil and gas residual interests (note 6)	643	643
Equity investment in Talas Joint Venture (note 7)	13,508	-
	<hr/>	<hr/>
	32,447	34,165
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,243	2,455
	<hr/>	<hr/>
	2,243	2,455
Future income tax	6,877	6,877
	<hr/>	<hr/>
	9,120	9,332
Shareholder Equity		
Share capital (note 8a)	361,440	361,440
Share purchase warrants (note 8b)	48,650	48,650
Share purchase options (note 8c)	10,485	12,550
Contributed surplus (note 10)	13,347	11,177
Deficit	(410,595)	(408,984)
	<hr/>	<hr/>
	23,327	24,833
	<hr/>	<hr/>
	32,447	34,165
Discontinued operations (note 3)		
Commitments (note 11)		
Subsequent events (note 15)		

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 and Deficit For the periods ended March 31, 2010 (unaudited) and March 31, 2009 (unaudited)

(in thousands of US dollars)

	Three months to March 31,	
	2010	2009
	\$	\$
(Expenses) / income		
General and administrative	(1,041)	(1,559)
Exploration	(413)	(215)
Stock-based compensation (note 9)	(105)	(780)
Interest expense	(8)	(67)
Interest income	11	6
Foreign exchange losses	(55)	(415)
Loss from operating activities	<u>(1,611)</u>	<u>(3,030)</u>
Loss from discontinued operations (note 3)	-	(25,255)
Net loss and comprehensive loss for the period	<u>(1,611)</u>	<u>(28,285)</u>
Deficit - Beginning of period	(408,984)	(508,024)
Deficit - End of period	<u>(410,595)</u>	<u>(536,309)</u>
Loss per common share		
Loss per common share from continuing operations	\$(0.04)	\$(0.07)
Loss per common share from discontinued operations	-	\$(0.55)
Net loss per common share	\$(0.04)	\$(0.62)
Weighted average number of common shares		
Basic and diluted (in thousands)	45,696	45,696

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

Orsu Metals Corporation

Consolidated Statements of Cash Flows

For the periods ended March 31, 2010 (unaudited) and March 31, 2009 (unaudited)

(in thousands of US dollars)

	Three months ended March 31,	
	2010	2009
	\$	\$
Cash flows from operating activities		
Net loss for the period from operating activities	(1,611)	(3,030)
Items not affecting cash:		
Company share of Talas Joint Venture loss	214	-
Depreciation and amortization charges	39	42
Stock-based compensation (note 9)	105	780
Unrealized foreign exchange gain	53	-
	<u>(1,200)</u>	<u>(2,208)</u>
Change in non-cash working capital		
Increase in accounts receivable and other assets	(1,114)	(616)
Increase/ (decrease) in accounts payable and accrued liabilities	746	(115)
Cash flows used by the operating activities of the continuing operations	<u>(1,568)</u>	<u>(2,939)</u>
Cash flows used by the operating activities of the discontinued operations	<u>-</u>	<u>(492)</u>
	<u>(1,568)</u>	<u>(3,431)</u>
Cash flows from investing activities		
Expenditures on property, plant and equipment	(2)	-
Proceeds from net investment in residual oil and gas interests	241	-
Cash flows from the investing activities of the continuing operations	<u>239</u>	<u>-</u>
Cash flows from the investing activities of the discontinued operations	<u>-</u>	<u>57</u>
	<u>239</u>	<u>57</u>
Cash flows from financing activities		
Cash flows from the financing activities of discontinued operations	<u>-</u>	<u>435</u>
	<u>-</u>	<u>435</u>
Decrease in cash and cash equivalents	<u>(1,329)</u>	<u>(2,939)</u>
Cash and cash equivalents - Beginning of period	<u>3,386</u>	<u>6,200</u>
Cash and cash equivalents - End of period	<u>2,057</u>	<u>3,261</u>

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

(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 metal exploration and development company, with its head office in London, whose principal activities are the mineral exploration and development of various licence areas within the Republic of Kyrgyzstan and the Republic of Kazakhstan.

The Company is the 70% owner of the Karchiga exploration property in Kazakhstan and the 100% owner of the Tokhtazan exploration property in Kyrgyzstan. In addition, the company has a 40% interest in the Taldybulak-Talas property, covering four licensed areas for copper-gold-molybdenum deposits in Kyrgyzstan.

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 Taldybulak-Talas property (the “Talas Joint Venture”). Under the terms of the JV Agreement Gold Fields is the project operator and, in February 2010, completed the “First Phase” of the Talas project joint venture, pursuant to which Gold Fields earned a 60% interest in the Talas joint venture company, Kami Associates Limited (“Kami” or the “Talas Joint Venture Company”), the Company’s subsidiary and the 100% owner of Talas Copper Gold LLC (“TCG LLC”), the registered owner of the Talas Project, by funding exploration expenditures of CAD\$10 million. The Company retains a 40% minority interest in the Talas Joint Venture Company and has accounted for its minority interest on an equity basis as at the date of these financial statements (see note 7 for further details).

2 Significant accounting policies

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with Canadian 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.

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’s minority interest in the Talas Joint Venture Company meets the criterion of a variable interest entity (“VIE”), as defined by the Accounting Standards Board in Accounting Guideline 15, Consolidation of Variable Interest Entities, (see note 2 “Investments” for further information). As a result, the Company has accounted for the results of Kami and TCG LLC under the equity method (see note 7 for details).

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

The principal subsidiaries of the Company as at March 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 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 mineral reserve quantities, if any, depreciation and stock based compensation.

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.

Mineral property and development costs

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

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

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

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.

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 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.

Investments

The Company's VIEs are accounted for under the equity method, and 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. VIEs are entities in which equity investors do not have the characteristics of a "controlling financial interest" or where there is insufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary, the party who absorbs the majority of the entity's expected losses and residual returns.

Under the equity method of accounting, the investment is initially recorded at cost and the carrying value adjusted thereafter to include the investor's pro rata share of post acquisition earnings or losses.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

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.

Incentive stock option plan

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

Earnings / (loss) per share

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

3 Discontinued operations

On October 30, 2009 the Company completed the sale of its Varvarinskoye open pit gold-copper mine (the “Varvarinskoye Project”) to OJSC Polymetal. As a result of the sale the Company 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 as discontinued operations.

The following table shows the results related to discontinued operations for the three months ended March 31, 2009:

	\$
Sales revenues	9,796
Cost of sales	(12,679)
Other expenses	(22,372)
Loss from discontinued operations	<u>(25,255)</u>

4 Accounting policy developments

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

Business combinations

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

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.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

5 Exploration properties

The exploration licences held by the Company are as follows:

	2010	2009
	\$	\$
Talas (note i)	-	13,007
Tokhtazan (note ii)	8,300	8,300
Karchiga (note iii)	5,891	5,891
	<u>14,191</u>	<u>27,198</u>

Notes:

i) 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-molybdenum porphyry deposit. As at March 31, 2010 the Company held a 40% interest in the Talas Joint Venture Company and Talas license and, under the equity method of accounting, the Company included the carrying value of its investment in the Talas exploration property as part of the "Equity investment in Talas Joint Venture" (see note 7 for further information).

ii) 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. In April 2010, the Akdjol and Tokhtazan licenses were extended by the Ministry of Natural Resources of the Republic of Kyrgyzstan until December 31, 2012.

iii) Karchiga exploration licence, Kazakhstan

The Karchiga exploration licence contains the Karchiga VMS deposit. The Karchiga copper 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.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

6 Net investment in oil and gas residual interests

	2010	2009
	\$	\$
Balance - Beginning of period	643	884
Royalty income	-	(241)
	<u>643</u>	<u>643</u>
Balance - End of period	<u>643</u>	<u>643</u>

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.

7 Equity investment in Talas Joint Venture

In December 2008 the Company entered into the JV Agreement to further develop the Talas licence area and, under the terms of the JV Agreement, Gold Fields became the project operator.

As at December 31, 2009 through its ownership of Kami, 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.

In February 2010, Gold Fields earned a 60% interest in the Talas Joint Venture Company and, in doing so, earned the ability to unilaterally control the operational, financial and investment decisions of the Talas Joint Venture Company. For this reason the Company’s 40% minority interest in the Talas Joint Venture Company met the criteria of a VIE, as defined by the Accounting Standards Board in Accounting Guideline 15, Consolidation of Variable Interest Entities, and has been accounted for under the equity method in the Company’s financial statements for the period ended March 31, 2010 (see note 2 “Investments” for further information).

Orsu Metals Corporation
Notes to Consolidated Financial Statements
For the period ended March 31, 2010 (unaudited)

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

A summary of the carrying value of the Company's equity investment in the Talas Joint Venture as at March 31, 2010 is set out below:

	\$
Value of investment at beginning of period	13,384
Funding provided by the Company during the period	338
Less: Company's 40% share of joint venture losses during the period	(214)
	<u>13,508</u>

8 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 three months ended March 31, 2010 and the year ended December 31, 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 period	45,696	361,440	456,959	361,440
Share consolidation (see note i)	-	-	(411,263)	-
Balance - End of period	<u>45,696</u>	<u>361,440</u>	<u>45,696</u>	<u>361,440</u>

Note:

- 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.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

b) Share purchase warrants

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

	2010			2009		
	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 period	48,650	12,855	12.76	48,650	128,547	1.28
Warrants consolidation (see note i)	-	-	-	-	(115,692)	-
Balance - End of period	<u>48,650</u>	<u>12,855</u>	12.76	<u>48,650</u>	<u>12,855</u>	12.76

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 share purchase warrants outstanding and exercisable as at March 31, 2010 is set out below:

			2010
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>

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

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:

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

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

c) Share purchase options

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

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

	2010			2009		
	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 period	12,550	2,085	8.08	19,000	41,890	0.84
Amounts vesting in period	105	-	-	2,012	-	-
Forfeited	-	-	-	(3,595)	(10,050)	-
Expired	(2,170)	(335)	-	(4,867)	(10,990)	-
Share options consolidation (see note i)	-	-	-	-	(18,765)	-
Balance - End of period	<u>10,485</u>	<u>1,750</u>	8.08	<u>12,550</u>	<u>2,085</u>	8.08

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

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 March 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\$
2.40 – 4.99	247,500	2.02	3.45	240,000	3.48
5.00 – 9.99	1,472,500	4.86	7.99	1,157,500	7.90
10.00 – 14.90	30,000	2.01	12.60	30,000	12.60
	<u>1,750,000</u>	4.41	7.43	<u>1,427,500</u>	7.26

9 Stock-based compensation

The Company uses the fair value method of accounting for stock-based compensation. During the three months ended March 31, 2010, the Company expensed fair value of stock based compensation of \$0.1 million (2009 - \$0.8 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	2.9%-3.33%
Expected dividend yield	Nil
Expected stock price volatility	58.58%-65.19%
Expected options life	2.8 years

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

10 Contributed surplus

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

	2010 \$	2009 \$
Balance - Beginning of period	11,177	2,715
Transfer of fair value of forfeited/ lapsed stock options	2,170	8,462
Balance - End of period	<u>13,347</u>	<u>11,177</u>

11 Commitments

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

	2010 \$	2011 \$	2012 \$	2013 \$	2014 + \$	Total \$
Lease obligations	352	352	352	352	1,056	2,464

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 a review in 2011 which may affect the future lease obligations from 2011 onwards.

12 Capital disclosures

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

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

13 Financial risk management

Fair values

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

Held for trading financial assets and liabilities 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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

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.

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

	Held-for- trading	Other financial	Total carrying
	\$	liabilities	amount
		\$	\$
Financial assets			
Cash and cash equivalents	2,057	-	2,057
Financial liabilities			
Accounts payable and accrued liabilities	-	2,243	2,243

The fair value of the Company's accounts payable and accrued liabilities approximate to 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	Total carrying
	\$	liabilities	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.

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.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

As at March 31, 2010, the Company's short-term and long-term obligations were as follows:

	Total	Less than 1	1-2 years	2-3 years	Beyond 3 years
	\$	year	\$	\$	\$
		\$			
Accounts payable and accrued liabilities	2,243	1,729	-	-	514
Commitments	2,464	352	352	352	1,408

Currency risk

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

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

	10%	10%
	devaluation	appreciation
	\$	\$
Kazakhstan Tenge	14	(17)
Kyrgyzstan Som	45	(55)

Interest rate risk

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

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

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

	March 31,	Impact of LIBOR change on net	
	2010	1% increase	1% decrease
	\$	\$	\$
Cash at bank	1,962	20	(20)

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

14 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 three month period ended March 31, 2010 is as follows:

	Mineral exploration and development (Kazakhstan and Kyrgyzstan)	(UK) Corporate	Total
	\$	\$	\$
General and administrative	(11)	(1,030)	(1,041)
Exploration	(413)	-	(413)
Stock based compensation	-	(105)	(105)
Other expenses	22	(74)	(52)
Net loss for the period	<u>(402)</u>	<u>(1,209)</u>	<u>(1,611)</u>
Property, plant and equipment	176	334	510
Total assets	28,340	4,107	32,447
Capital expenditure	1	1	2

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

(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.

	Discontinue d operations \$	Mineral exploration and development (Kazakhstan and Kyrgyzstan) \$	(UK Corpora te \$	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>
Property, plant and equipment	-	708	370	1,078
Total assets	-	29,271	4,894	34,165
Capital expenditure	-	285	8	293

15 Subsequent events

- a) On April 16, 2010, the Company completed a public offering of units of securities (the "Units"), pursuant to which the Company sold 112,000,000 Units at a price of CAD\$0.25 per Unit for gross proceeds of CAD\$28,000,000 (the "Offering"). Each Unit consisted of one common share of the and one-half of one common share purchase warrant, with each warrant being exercisable to acquire one common share at a price of CAD\$0.50 for a period of two years from the closing date of the Offering. Canaccord Financial Limited (now called Canaccord Genuity Corp. following a change of name on May 10, 2010) (the "Agent") acted as sole manager and book runner for the Offering. After share issue costs incurred, which

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended March 31, 2010 (unaudited)

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

included an Agent's fee of 6% of the gross proceeds and other legal and professional fees, the net proceeds of the Offering were CAD\$25.7 million.

- b) On April 16, 2010, the Company granted a total of 13,250,000 stock options vesting over 5 years, to officers, employees and consultants of the Company at an exercise price of CAD\$0.25 per share.