

Orsu Metals Corporation

Consolidated Financial Statements
September 30, 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 September 30, 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 September 30, 2010 (unaudited) and December 31, 2009 (audited)

(In thousands of US dollars)

	September 30, 2010 \$	December 31, 2009 \$
Assets		
Current assets		
Cash and cash equivalents	22,774	3,386
Prepaid and receivables	967	1,860
	<hr/>	<hr/>
	23,741	5,246
Exploration properties (note 5)	14,191	27,198
Office, furniture and equipment	474	1,078
Net investment in oil and gas residual interests (note 6)	643	643
Equity investment in Talas Joint Venture (note 7)	13,320	-
	<hr/>	<hr/>
	52,369	34,165
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,080	2,455
	<hr/>	<hr/>
	1,080	2,455
Future income tax	6,877	6,877
	<hr/>	<hr/>
	7,957	9,332
Shareholder Equity		
Share capital (note 8a)	380,145	361,440
Share purchase warrants (note 8b)	25,041	48,650
Share purchase options (note 8c)	11,499	12,550
Contributed surplus (note 10)	43,816	11,177
Deficit	(416,089)	(408,984)
	<hr/>	<hr/>
	44,412	24,833
	<hr/>	<hr/>
	52,369	34,165
Discontinued operations (note 3)		
Commitments (note 11)		

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 September 30, 2010 (unaudited) and September 30, 2009 (unaudited)

(In thousands of US dollars)

	3 months ended		9 months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
(Expenses) / income				
General and administrative	(1,337)	(1,694)	(3,633)	(5,768)
Exploration	(1,035)	(639)	(1,684)	(1,012)
Stock-based compensation (note 9)	(600)	(411)	(1,440)	(1,973)
Interest expense	(1)	(227)	(1)	(268)
Interest income	23	197	31	235
Foreign exchange (losses)/ gains	498	113	(378)	45
Loss from operating activities	(2,452)	(2,661)	(7,105)	(8,741)
Net loss from discontinued operations (note 3)	-	(21,076)	-	(40,576)
Net loss and comprehensive loss for the period	(2,452)	(23,737)	(7,105)	(49,317)
Deficit - Beginning of period	(413,637)	(533,604)	(408,984)	(508,024)
Deficit - End of period	(416,089)	(557,341)	(416,089)	(557,341)
Loss per common share				
Loss per common share from continuing operations	\$(0.02)	\$(0.06)	\$(0.06)	\$(0.19)
Loss per common share from discontinued operations	-	\$(0.46)	-	\$(0.89)
Net loss per common share	\$(0.02)	\$(0.52)	\$(0.06)	\$(1.08)
Weighted average number of common shares				
Basic and diluted (in thousands)	157,696	45,696	114,209	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 September 30, 2010 (unaudited) and September 30, 2009 (unaudited)

(in thousands of US dollars)

	3 months ended September 30,		9 months ended September 30,	
	2010	2009	2010	2009
Cash flows from operating activities	\$	\$	\$	\$
Net loss for the period from operating activities	(2,452)	(2,661)	(7,105)	(8,741)
Items not affecting cash:				
Company share of Talas Joint Venture loss	271	-	656	-
Depreciation and amortization charges	37	70	112	173
Stock-based compensation (note 9)	600	412	1,440	1,973
Unrealized foreign exchange gain	(94)	-	(124)	-
	(1,638)	(2,179)	(5,021)	(6,595)
Change in non-cash working capital				
(Increase) in accounts receivable and other assets	(180)	(120)	(125)	(395)
(Decrease)/ increase in accounts payable and accrued liabilities	(50)	919	(317)	1,970
Cash flows used by the operating activities of the continuing operations	(1,868)	(1,380)	(5,463)	(5,020)
Cash flows from the operating activities of the discontinued operations	-	1,417	-	5,735
	(1,868)	37	(5,463)	715
Cash flows from investing activities				
Expenditures on property, plant and equipment	(39)	(175)	(42)	(435)
Proceeds from net investment in residual oil and gas interests	-	-	241	-
Company funding of Talas Joint Venture	(254)	-	(592)	-
Cash flows used by the investing activities of the continuing operations	(293)	(175)	(393)	(435)
Cash flows used by the investing activities of the discontinued operations	-	(3,415)	-	(4,614)
	(2,161)	(3,553)	(5,856)	(4,334)
Cash flows from financing activities				
Gross proceeds of share issue (note 8a)	-	-	27,646	-
Share issue costs (note 8a)	-	-	(2,402)	-
Cash flows used in the financing activities of discontinued operations	-	1,998	-	(1,121)
	-	(1,998)	25,244	(1,121)
Increase/ (decrease) in cash and cash equivalents	(2,161)	(1,555)	19,388	(5,455)
Cash and cash equivalents - Beginning of period	24,935	2,300	3,386	6,200
Cash and cash equivalents - End of period	22,774	745	22,774	745

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

1 Nature of operations

Orsu Metals Corporation (öOrsuö or the öCompanyö), 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 Akdjol-Tokhtazan exploration property in Kyrgyzstan. In addition, the company has a 40% interest in the Taldybulak-Talas property, covering four licensed areas for gold-copper-molybdenum deposits in Kyrgyzstan.

In December 2008 the Company entered into a joint venture agreement (the öJV Agreementö) with Goldfields Orogen Holdings BVI Limited (öGold Fieldsö) to further develop the Taldybulak-Talas property (the öTalas Joint Ventureö). Under the terms of the JV Agreement Gold Fields is the project operator and, in February 2010, completed the öFirst Phaseö of the Talas project joint venture, pursuant to which Gold Fields earned a 60% interest in the Talas joint venture company, Kami Associates Limited (öKamiö or the öTalas Joint Venture Companyö), the Company's subsidiary and the 100% owner of Talas Copper Gold LLC (öTCG LLCö), 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 (öVIEö), as defined by the Accounting Standards Board in Accounting Guideline 15, Consolidation of Variable Interest Entities, (see note 2 öInvestmentsö 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 September 30, 2010 (unaudited)

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

The principal subsidiaries of the Company as at September 30, 2010 which have been consolidated are as follows:

	% interest
European Minerals (UK) Limited (øEMUKö)	100
Kazminco Oil Limited (øKazmincoö)	100
Lisburne Holdings Limited (øLisburneö)	55
Lero Gold Corporation (øLeroö)	100
Tournon Finance Limited (øTournonö)	100
Eildon Enterprises Limited (øEildonö)	73.9
Oriel In Kyrgyzstan LLC (øOIKö)	100
GRK MLD LLC (øMLDö)	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 September 30, 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 September 30, 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 September 30, 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 ðVarvarinskoye Projectö) 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 nine months ended September 30, 2009:

	\$
Sales revenues	64,923
Cost of sales	(48,239)
Other expenses	(57,260)
Loss from discontinued operations	<u>(40,576)</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 September 30, 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 September 30, 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 area, 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 September 30, 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 ðEquity investment in Talas Joint Ventureð (see note 7 for further information). The Taldybulak and Barkol licenses expire on December 31, 2010. The Kentash and Korgontash licenses expire on December 31, 2012.

ii) Tokhtazan exploration licence area, Kyrgyzstan

The Tokhtazan exploration licence area is located in the Jalal-Abad Oblast, western Kyrgyzstan and is comprised of two exploration licences, Akdjol and Tokhtazan. The Akdjol and Tokhtazan licenses expire on December 31, 2012.

iii) Karchiga exploration licence area, Kazakhstan

The Karchiga exploration licence area contains the Karchiga VMS deposit. The Karchiga copper deposit is located in the northeast of the Republic of Kazakhstan. The Karchiga license expires on February 28, 2012.

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 September 30, 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)
Balance - End of period	<u>643</u>	<u>643</u>

In 1999, the Company sold its interest in Tasbulat Oil Corporation (ǎTasbulatǔ), 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 Companyǔ 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 Companyǔ 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 Companyǔ financial statements for the period ended September 30, 2010 (see note 2 ǔInvestmentsǔ for further information).

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 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 September 30, 2010 is set out below:

	\$
Value of investment as at January 1, 2010	13,384
Funding provided by the Company during the nine months ended September 30, 2010	592
Less: Company's 40% share of losses for the nine months ended September 30, 2010	(656)
Carrying value of the Company's investment as September 30, 2010	<u>13,320</u>

8 Share capital

a) Authorized Share Capital

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 nine months ended September 30, 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
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 period	<u>157,696</u>	<u>380,145</u>	<u>45,696</u>	<u>361,440</u>

Note:

- 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 CAD\$28 million, \$27.6 million (the "Offering"). Each unit comprised of 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 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. As at September 30, 2010 the total issued share capital of the Company was 157,696,049 common shares;
- 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 14 "Transaction

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

- 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 14 "Transaction with related parties") at an exercise price of CAD\$0.25 per Broker warrant. The Company calculated a fair value for these Broker warrants, using the Black Scholes model, of \$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 nine months ended September 30, 2010 and for the year ended December 31, 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 period	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	(7,750)	(30,148)		-	-	
Warrants consolidation (see note iv)	-	-		(115,692)	-	
Balance - End of period	67,825	25,041	1.51	12,855	48,650	12.76

Note:

- 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 8 a), in relation to the Offering the Company incurred share issue costs of \$2.4 million in total. 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 Broker warrants to the Agent (see note 14 "Transactions with related parties"). Each Broker Warrant entitles the Agent to

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

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 a fair value for these Broker warrants, using the Black Scholes model, of \$1.1 million and allocated this on a pro rata basis between Share Capital, \$878,000, and Share Purchase Warrants, \$253,000;

- iv) 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. 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 September 30, 2010 is set out below:

			2010
Exercise Price CAD\$	Expiry date	Number 000's	
10.00	November 30, 2010	200	
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>67,825</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	Agent's warrants	Warrants issued to Debt facility and Equity lenders
Risk free interest rate	1.78%	2.85%	2.72%
Expected dividend yield	nil	nil	nil
Expected stock price volatility	149.95%	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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

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 nine months ended September 30, 2010 and year ended December 31, 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 period	2,085	12,550	8.08	41,890	19,000	0.84
Options granted April 2010 (note i)	13,250	1,177		-	-	
Options granted June 2010 (note ii)	200	4		-	-	
Options granted August 2010 (note iii)	500	5				
Amounts vesting in period	-	254		-	2,012	
Forfeited	(10)	(487)		(10,050)	(3,595)	
Adjustment to 2009 forfeited options	-	(320)		-	-	
Options lapsed in period	(325)	(1,684)		(10,990)	(4,867)	
Share options consolidation (see note iv)	-	-		(18,765)	-	
Balance - End of period	15,700	11,499	1.08	2,085	12,550	8.08

Note:

- 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) 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.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

A summary of the stock options outstanding and exercisable as at September 30, 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 to 2.39	13,950,000	4.36	0.24	-	-
2.40 to 4.99	247,500	1.52	3.45	247,500	3.45
5.00 to 9.99	1,472,500	4.36	7.99	1,472,500	7.99
10.00 to 14.90	30,000	1.51	12.60	30,000	12.60
	<u>15,700,000</u>	4.31	1.04	<u>1,750,000</u>	7.43

9 Stock-based compensation

The Company uses the fair value method of accounting for stock-based compensation. For the nine months ended September 30 2010, the Company expensed fair value of stock based compensation of \$1.4 million (nine months to September 30, 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%-3.33%
Expected dividend yield	Nil
Expected stock price volatility	58.58%-158.28%
Expected options life	2.8-3.0 years

10 Contributed surplus

A summary of the changes in the Company's contributed surplus for the nine months ended September 30, 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	2,491	8,462
Transfer of fair value of lapsed warrants	30,148	-
Balance - End of period	<u>43,816</u>	<u>11,177</u>

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

11 Commitments

The following table summarizes the commitments of the Company as at September 30, 2010:

	2010	2011	2012	2013	2014 +	Total
	\$	\$	\$	\$	\$	\$
Lease obligations	88	352	352	352	1,056	2,200

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 February 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 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.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

The following provides a summary of the carrying values of each classification of financial instrument as at September 30, 2010:

	Held-for-trading \$	Other financial liabilities \$	Total carrying amount \$
Financial assets			
Cash and cash equivalents	22,774	-	22,774
Financial liabilities			
Accounts payable and accrued liabilities	-	1,080	1,080

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 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.

Liquidity risk

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

As at September 30, 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	1,080	566	-	-	514
Commitments	2,200	88	352	352	1,408

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

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, Kazakh Tenge and Kyrgyz Som. Based on the operational expenditures to September 30, 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	10% appreciation
	\$	\$
Kazakhstan Tenge	101	(124)
Kyrgyzstan Som	137	(168)

Interest rate risk

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

	September 30, 2010	Impact of LIBOR change on net earnings	
	\$	1% increase	1% decrease
		\$	\$
Cash at bank	22,674	219	(219)

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.

14 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. (the "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 8). 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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 2010 (unaudited)

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

reimbursement of expenses along with the Broker Warrants granted to Canaccord were considered to be based on normal commercial terms.

15 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 nine month period ended September 30, 2010 is as follows:

	Mineral exploration and development (Kazakhstan and Kyrgyzstan)	(UK) Corporate	Total
	\$	\$	\$
General and administrative	(546)	(3,087)	(3,633)
Exploration	(1,684)	-	(1,684)
Stock based compensation	-	(1,440)	(1,440)
Other expenses	(9)	(339)	(348)
Net loss for the period	<u>(2,239)</u>	<u>(4,866)</u>	<u>(7,105)</u>
Office, furniture and equipment	161	313	474
Total assets	15,225	37,144	52,369
Capital expenditure	5	37	42

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ended September 30, 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.

	Discontinued operations	Mineral exploration and development (Kazakhstan and Kyrgyzstan)	(UK) Corporate	Total
	\$	\$	\$	\$
Sales revenues	71,790	-	-	71,790
Cost of sales	(53,302)	-	-	(53,302)
Other costs	(69,648)	(1,636)	(8,976)	(80,260)
Net operating loss	<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