

Orsu Metals Corporation
Consolidated Financial Statements (Unaudited)
September 30, 2011 and 2010
(In thousands of US dollars)

Orsu Metals Corporation

Consolidated Balance Sheets (Unaudited)

(in thousands of US dollars)

	September 30 2011 \$	December 31 2010 \$
Assets		
Current assets		
Cash and cash equivalents	14,031	19,596
Current deferred consideration receivable (note 4a)	-	1,500
Prepaid and receivables	1,342	1,217
	<hr/>	<hr/>
	15,373	22,313
Non-current assets		
Deferred consideration receivable (note 4a)	-	3,592
Exploration properties (note 5)	10,458	10,458
Property, plant and equipment	416	449
Equity investment in Talas Joint Venture (note 6)	10,120	10,221
Other assets (note 4b)	-	392
	<hr/>	<hr/>
	20,994	25,112
Total assets	<hr/> 36,367	<hr/> 47,425
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	670	672
Current portion of derivative warrant liabilities (note 7)	174	-
	<hr/>	<hr/>
	844	672
Non-current liabilities		
Derivative warrant liabilities (note 7)	-	6,245
Other liabilities	120	120
	<hr/>	<hr/>
	964	7,037
Equity		
Share capital (note 8a)	380,145	380,145
Share purchase warrants (note 8b)	4,897	4,897
Share purchase options (note 8c)	5,893	5,904
Contributed surplus	23,012	22,483
Non-controlling interest (note 3)	(374)	(773)
Deficit (note 3)	(378,170)	(372,268)
	<hr/>	<hr/>
	35,403	40,388
Total equity and liabilities	<hr/> 36,367	<hr/> 47,425

Commitments (note 10)

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 Net Income, and Comprehensive Income (Unaudited)

(in thousands of US dollars)

	3 months ended		9 months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Income/ (expenses)				
Administration (note 3)	(1,074)	(836)	(2,708)	(2,626)
Legal and professional (note 3)	(315)	(501)	(899)	(1,800)
Exploration	(1,767)	(764)	(3,446)	(1,028)
Stock based compensation (note 8c)	(289)	(600)	(481)	(1,440)
Stock based compensation - non employees (note 8c)	(2)	(-)	(37)	(-)
Unrealized derivative gains/ (losses) (note 7)	155	(2,588)	6,071	9,840
Foreign exchange (losses)/ gains	(141)	498	(6)	(378)
Net (loss)/ income from operations	(3,433)	(4,791)	(1,506)	2,568
Deferred consideration income (note 4a)	-	-	1,908	-
Net gain on settlement of oil interests (note 4b)	942	-	942	-
Company's share of Talas Joint Venture losses (note 6)	(269)	(271)	(712)	(656)
Finance income (note 3)	22	22	53	30
Net income/ (loss) and comprehensive income/ (loss) for the period	(2,738)	(5,040)	685	1,942
Net income/ (losses) attributable to:				
Shareholders of the Company	(2,653)	(4,817)	1,302	2,293
Non-controlling interest	(85)	(223)	(617)	(351)
	(2,738)	(5,040)	685	1,942
Earnings/ (loss) per share				
Basic	\$(0.02)	\$(0.03)	\$0.01	\$0.02
Diluted	\$(0.02)	\$(0.03)	\$0.01	\$0.02
Weighted average number of common shares (in thousands)	157,696	157,696	157,696	114,209

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

Orsu Metals Corporation

Consolidated Statements of Cash Flows (Unaudited)

(in thousands of US dollars)

	Nine months ended September 30,	
	2011	2010
	\$	\$
Operating activities		
Income for the period	685	1,942
Items not affecting cash:		
Company share of Talas Joint Venture losses (note 6)	712	656
Gain on settlement of oil interests (note 4b)	(942)	-
Depreciation and amortization	94	112
Deferred consideration (note 4a)	(1,908)	-
Share-based payments (note 8c)	518	1,440
Unrealized foreign exchange losses/ (gains)	13	(124)
Unrealized derivative gains (note 7)	(6,071)	(9,840)
	<u>(6,899)</u>	<u>(5,814)</u>
Changes in non-cash working capital		
Accounts receivable and other assets	(373)	(125)
Accounts payable and accrued liabilities	(15)	(317)
Net cash used by the operating activities	<u>(7,287)</u>	<u>(6,256)</u>
Cash flows from/ (used by) investing activities		
Expenditures on property, plant and equipment	(61)	(42)
Proceeds from settlement of oil interests (note 4b)	1,582	241
Deferred consideration received (note 4a)	7,000	-
Funding of investment in Talas Joint Venture (note 6)	(611)	(592)
Acquisition of Eildon minority interest	(6,188)	-
Net cash generated from/ (used by) investing activities	<u>1,722</u>	<u>(393)</u>
Cash flows from financing activities		
Gross proceeds of share issue	-	27,646
Share issue costs	-	(1,609)
Cash flows from financing activities	<u>-</u>	<u>26,037</u>
	<u>(5,565)</u>	<u>19,388</u>
Net (decrease)/ increase in cash and cash equivalents		
Cash and cash equivalents - Beginning of period	19,596	3,386
Cash and cash equivalents - End of period	<u>14,031</u>	<u>22,774</u>

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

Orsu Metals Corporation

Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of US dollars)

Consolidated statement of changes to equity as at September 30, 2010:

	Share capital		Share purchase warrants	Share purchase options	Contributed surplus	Non-controlling interest	Deficit	Total equity
	Number of shares (000s')	Share capital \$						
Balance as at January 1, 2010	45,696	361,440	6,609	12,550	11,177	-	(378,171)	13,605
Gross proceeds from Offering	112,000	21,445	-	-	-	-	-	21,445
Share issue costs	-	(1,862)	-	-	-	-	-	(1,862)
Broker warrant issued	-	-	1,131	-	-	-	-	1,131
Broker warrant issue costs	-	(878)	-	-	-	-	-	(878)
Broker warrants lapsed	-	-	(2,021)	-	2,021	-	-	-
Share options granted	-	-	-	1,186	-	-	-	1,186
Share-based payments	-	-	-	254	-	-	-	254
Share options forfeited or lapsed	-	-	-	(2,491)	2,491	-	-	-
Net income/ (loss) for the period (note 3)	-	-	-	-	-	(351)	2,293	1,942
Balance as at September 30, 2010 (note 3)	157,696	380,145	5,719	11,499	15,689	(351)	(375,878)	36,823

Consolidated statements of changes to equity as at December 31, 2010 and September 30, 2011:

	Share capital		Share purchase warrants	Share purchase options	Contributed surplus	Non-controlling interest	Deficit	Total equity
	Number of shares (000s')	Share capital \$						
Balance as at January 1, 2010	45,696	361,440	6,609	12,550	11,177	-	(378,171)	13,605
Share issue (note 8a)	112,000	21,445	-	-	-	-	-	21,445
Share issue costs (note 8a)	-	(1,862)	-	-	-	-	-	(1,862)
Broker Warrant issue costs (note 8a)	-	(878)	-	-	-	-	-	(878)
Share-based payments (note 8c)	-	-	-	1,817	-	-	-	1,817
Share purchase warrants issued (note 8b)	-	-	1,131	-	-	-	-	1,131
Share purchase warrants lapsed (note 8b)	-	-	(2,843)	-	2,843	-	-	-
Share options forfeited or lapsed (note 8c)	-	-	-	(8,463)	8,463	-	-	-
Net income/ (loss) for the period	-	-	-	-	-	(773)	5,903	5,130
Balance as at December 31, 2010	157,696	380,145	4,897	5,904	22,483	(773)	(372,268)	40,388
Share-based payments (Note 8c)	-	-	-	518	-	-	-	518
Share options forfeited or lapsed (note 8c)	-	-	-	(529)	529	-	-	-
Eildon minority interest acquisition (note 5)	-	-	-	-	-	1,016	(7,204)	(6,188)
Net income/ (loss) for the period	-	-	-	-	-	(617)	1,302	685
Balance as at September 30, 2011	157,696	380,145	4,897	5,893	23,012	(374)	(378,170)	35,403

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

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

1. General information

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”).

As at September 30, 2011 the Company indirectly holds a 94.75% interest in the Karchiga exploration property in Kazakhstan via its 100% interest in Eildon Enterprises Limited (“Eildon”), the parent of GRK MLD LLC (“MLD”) and the holder of the exploration license for the Karchiga exploration property. In addition, the Company has a 40% minority interest in Talas Copper Gold LLC (“TCG LLC”) in Kyrgyzstan the holder of four licenses which comprise the Talas exploration license area (see note 6), via its 100% parent Kami Associates Limited (“Kami” or the “Talas Joint Venture Company”). The Company is also the 100% owner of the Akdjol-Tokhtazan exploration property in Kyrgyzstan.

The Company is incorporated in the British Virgin Islands and domiciled in the United Kingdom.

These group consolidated financial statements were authorized by the board of directors on November 10, 2011.

2. Basis of preparation and first-time adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting (“IAS 34”) and IFRS 1 First-time adoption of International Financial Reporting Standards (“IFRS 1”). The accounting policies followed in these interim financial statements are the same as those applied in the Company’s unaudited interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company’s reported consolidated balance sheet and equity as at September 30, 2010, and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company’s audited consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 10, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP audited annual financial statements for the year ended December 31, 2010, and the Company’s unaudited interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

First-time adoption exemptions applied

IFRS 1, which governs the first time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions from retrospective application on the transition to IFRS. The exemptions which the Company has elected to apply and are considered significant to the Company are the following:

a) Business combinations

The Company has applied the business combination exemption in IFRS 1 and has not restated business combinations and the accounting thereof that took place prior to the January 1, 2010 transition date. This exemption applies to the acquisition of Lero Gold Corporation ("Lero") in June 2008.

b) Share based payments

The Company has elected to apply the share-based payment exemption. It has applied IFRS 2 from January 1, 2010 onwards to those options that were issued after November 7, 2002 but that had not vested by January 1, 2010.

c) Revaluation of property, plant and equipment

Under IFRS 1 the Company may elect to revalue individual assets within its property, plant and equipment tangible assets at the transition date and use this fair value as the deemed transition cost. The Company has elected to measure property, plant and equipment at cost being the carrying value of property, plant and equipment as previously recorded.

3. Transition to IFRS

Under IFRS 1 the Company is required to explain how the transition from the previous Canadian GAAP to IFRS has affected its interim consolidated balance sheets, statement of net income and comprehensive income and consolidated cash flows and consolidated statement of changes in equity. In the interim unaudited consolidated financial statements as at March 31, 2010 the Company reported the affects of the transition to IFRS to its consolidated balance sheet and equity as at January 1, 2010, March 31, 2010 and December 31, 2010 along with the affect to net income and comprehensive income for the three months to March 31, 2010 and the year ended December 31, 2010.

To ensure continued compliance with the requirements of IFRS 1 the Company has prepared in these interim financial statements from the previously reported Canadian GAAP to IFRS:

- a) A reconciliation of the consolidated balance sheets and equity as at September 30, 2010;
- b) A reconciliation of net income and comprehensive income for the three months ended September 30, 2010 and;
- c) A reconciliation of net income and comprehensive income for the nine months ended of September 30, 2010.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

Reconciliations of consolidated balance sheets

Reconciliations between the Canadian GAAP and IFRS consolidated balance sheets as at September 30, 2010:

	Note	September 30, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash and cash equivalents		22,774		22,774
Prepaid and receivables		967		967
		<u>23,741</u>		<u>23,741</u>
Non-current assets				
Exploration properties	1	14,191	(3,733)	10,458
Property, plant and equipment	3	474		474
Equity investment in Talas Joint venture	1	10,176	-	10,176
Other assets		643		643
		<u>25,484</u>	<u>(3,733)</u>	<u>21,751</u>
Total assets		49,225	(3,733)	45,492
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		566		566
Derivative warrant liabilities	2	-	31	31
		<u>566</u>	<u>31</u>	<u>597</u>
Non-current liabilities				
Derivative warrant liabilities	2	-	7,558	7,558
Deferred income tax	1	3,733	(3,733)	-
Other liabilities		514	-	514
		<u>4,813</u>	<u>3,856</u>	<u>8,669</u>
Equity				
Share capital		380,145		380,145
Share purchase warrant	2	25,041	(19,322)	5,719
Share purchase options		11,499		11,499
Contributed surplus	2	43,816	(28,127)	15,689
Non-controlling interest	4	-	(351)	(351)
Deficit	2	(416,089)	40,211	(375,878)
		<u>44,412</u>	<u>(7,589)</u>	<u>36,823</u>
Total liabilities and equity		49,225	(3,733)	45,492

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

Notes to the reconciliation of consolidated balance sheet

The following notes explain the differences between Canadian GAAP and the IFRS accounting policies applied by the Company. These differences result in the adjustments in the table above:

1) As a result of the purchase of Lero Gold Corporation during the year ended December 31, 2008, the Company recognised a deferred tax liability under Canadian GAAP of \$3.7 million as at September 30, 2010. Under IFRS, IAS 12 prohibits the recognition of any deferred tax for the acquisition of assets that do not constitute a business combination. Accordingly on transition to IFRS, an adjustment has been made to derecognise both the deferred tax liability and the corresponding balance that was capitalised to mineral exploration properties. This decreased exploration properties by \$3.7 million on transition to IFRS as at September 30, 2010 to \$10,458.

The Company has also applied IAS 8 for the restatement of its equity investment in the Talas Joint Venture as at September 30, 2010 from a previously reported \$13,336 to \$10,176 and a previously reported deferred tax liability of \$3.1 million to nil. Previously under Canadian GAAP, the Company recognised a deferred tax liability of \$3.1 million related to the acquisition of the Talas asset. Following the change in accounting to the equity method for the investment in the Talas Joint Venture under Canadian GAAP the Company did not derecognise this deferred tax liability against the value of the investment in the Talas Joint Venture as at September 30, 2010. As a result the Company has restated the value of its equity investment in the Talas Joint Venture to \$10,176 and the deferred tax liability to nil as at September 30, 2010.

2) The Company has share purchase warrants outstanding that are exercisable in Canadian dollars. As the functional reporting currency is United States dollars, share purchase warrants with an exercise price in a different currency are considered a derivative instrument under IFRS (IAS 32) and are revalued and re-translated at each reporting date. Changes in fair value each period are recorded in the income statement. Under Canadian GAAP, these share purchase warrants were considered to be equity instruments. On transition to IFRS the Company recorded the following adjustments:

- As at September 30, 2010 the Company recorded an adjustment of \$40.2 million to retained earnings consisting of an adjustment of \$30.8 million for share purchase warrants, previously considered to be equity instruments under Canadian GAAP to derivative liabilities under IFRS, which had expired as at September 30, 2010. The Company also re-measured the fair value of its outstanding derivative warrant liabilities as at September 30, 2010 which resulted in a further positive adjustment to retained earnings of \$9.8 million and a positive adjustment to retained earnings for the recognition of non-controlling interests within equity of \$0.4 million, as detailed on note 4) below which were partially offset by an expense charge of \$0.8 million for previously capitalised warrant issue costs to “Legal and professional” expense, for the nine months ended September 30, 2010;
- Under Canadian GAAP the Company had reclassified \$31.1 million to contributed surplus from share purchase warrants in relation to share purchase warrants that had expired as at September 30, 2010. Of this amount, under IFRS the Company identified \$28.2 million relating to warrant derivative liabilities and recorded this as an adjustment to retained earnings.

3) The description of tangible fixed assets has been re-named from “Office, furniture and equipment” to “Property, plant and equipment” on transition to IFRS.

4) IFRS, IAS 1, requires presentation of non-controlling interests within equity, on the consolidated balance sheet and allocation of net income/ (loss) and comprehensive income/ (loss) attributable to the owners of the parent and non-controlling interests. As at September 30, 2010 the Company’s non-controlling interests related to a 45% interest in Lisburne, 26.1% interest in Eildon and 30% interest in MLD. Prior to adoption as at January 1, 2010, the Company had not attributed losses to non-controlling interests because their losses exceeded the carrying value amount of the non-controlling interests, and as

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

such had not recognised non-controlling interest in equity as at January 1, 2010. IAS 27 requires that the Company prospectively attribute losses to non-controlling interests from January 1, 2010 under Canadian GAAP. For the nine months ended September 30, 2010 the Company recognized losses relating to non-controlling interests of \$351,000.

Reconciliation of total comprehensive income/ (loss)

Reconciliations between the Canadian GAAP and IFRS total comprehensive (losses)/ income for the three and nine months ended September 30, 2010 are provided below. The Canadian GAAP statement of comprehensive loss has been represented, following adjustments for IFRS, in an IFRS consolidated statement of comprehensive income format.

Three months ended September 30, 2010

		Canadian GAAP	Effect of transition to IFRS	IFRS
	Note			
Administration	1	(1,337)	501	(836)
Legal and professional	1,2	-	(501)	(501)
Exploration		(764)	-	(764)
Stock based compensation		(600)	-	(600)
Unrealized derivative losses	2	-	(2,588)	(2,588)
Net foreign exchange gains		498	-	498
Net loss from operations		(2,203)	(2,588)	(4,791)
Company's share of Talas Joint Venture losses		(271)	-	(271)
Finance income		22	-	22
Net loss and comprehensive loss for the period		(2,452)	(2,588)	(5,040)
Net loss attributable to:				
Shareholders of the Company	3	(2,452)	(2,365)	(4,817)
Non-controlling interest	3	-	(223)	(223)
		(2,452)	(2,588)	(5,040)

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

		Nine months ended September 30, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Administration	1	(3,633)	1,007	(2,626)
Legal and professional	1,2	-	(1,800)	(1,800)
Exploration		(1,028)	-	(1,028)
Stock based compensation		(1,440)	-	(1,440)
Unrealized derivative gains	2	-	9,840	9,840
Net foreign exchange losses	3	(378)	-	(378)
Net (loss)/ income from operations		(6,479)	9,047	2,568
Company's share of Talas Joint Venture losses		(656)	-	(656)
Finance income		30	-	30
Net income/ (loss) and comprehensive income/(loss) for the year		(7,105)	9,047	1,942
Net income/ (loss) attributable to:				
Shareholders of the Company	3	(7,105)	9,398	2,293
Non-controlling interest	3	-	(351)	(351)
		(7,105)	9,047	1,942

Notes to the reconciliation of total comprehensive income/ (loss):

1) The Company has adopted a nature of expense format for presentation of the consolidated statement of comprehensive income and has reclassified elements previously described under Canadian GAAP as "General and administration" expenses between "Administration" and "Legal and professional expenses" under IFRS. The Company reclassified \$0.5 million and \$1.0 million for the three and nine months ended September 30, 2010 respectively from "Administration" to "Legal and professional" expenses.

2) The Company has share purchase warrants outstanding that are exercisable in Canadian dollars. As the functional reporting currency is United States dollars, share purchase warrants with an exercise price in a different currency are considered a derivative instrument under IFRS (IAS 32) and are revalued and re-translated at each reporting period. Changes in fair value at each reporting period are recorded in the income statement. In addition under IFRS, warrant issue costs associated with derivative warrant liabilities are expensed. Under Canadian GAAP, these share purchase warrants were considered to be equity instruments and their associated issue costs capitalised as equity. On transition to IFRS, the Company recorded the following:

- The Company re-measured the above mentioned derivative warrant liabilities which resulted in a net unrealized derivative losses of \$2.6 million for the three months ended September 30, 2010;
- The Company re-measured the above mentioned derivative warrant liabilities which resulted in a net unrealized derivative gain of \$9.8 million for the nine months ended September 30, 2010;
- an adjustment of \$0.8 million to expense previously capitalised warrant issue costs to "Legal and professional" expenses for the three and nine months ended September 30, 2010.

3) IFRS, IAS 1, requires presentation of non-controlling interests within equity, on the consolidated balance sheet and allocation of net income/ (loss) and comprehensive income/ (loss) attributable to the owners of the parent and non-controlling interests. The Company's non-controlling interests relate to a 45% interest in Lisburne, 26.1% interest in Eildon and 30% interest in MLD. Prior to adoption as at January 1,

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

2010, the Company had not attributed losses to non-controlling interests because their losses exceeded the carrying value amount of the non-controlling interests, and as such had not recognised non-controlling interest in equity as at January 1, 2010. IAS 27 requires that the Company prospectively attribute losses to non-controlling interests from January 1, 2010. For the three and nine months ended September 30, 2010 the Company recognized losses relating to non-controlling interests of \$223,000 and \$351,000 respectively.

Statement of consolidated cash flows

Upon transition to IFRS, no reclassifications or adjustments were required to the statements of cash flows.

Presentation changes to the financial statements

The transition to IFRS has resulted in a number of changes in the presentation of the financial statements, in particular to the Statement of net income and comprehensive income. The changes to the balance relate to the re-classification of the share purchase warrants from equity to long term liabilities and the re-classification of liabilities between current and long term liabilities.

The following is a summary of the significant presentational changes to the consolidated financial statements:

- a) Reporting of expenses by function and nature. The income statement reports the expenses by nature. The Company now has a choice to report the expenses by significant function or significant nature depending on what provides the most relevant information to the user. Accordingly the Company has now reclassified under IFRS elements previously described under Canadian GAAP as “General and administration” expenses between “Administration” and “Legal and professional expenses”.
- b) Finance income. Under IFRS this now shown separately and includes bank interest income and foreign exchange gains on the revaluation of the Company’s cash and cash equivalent assets;
- c) Finance expenses. Under IFRS finance expense includes bank interest.

4. Deferred consideration and other assets

- a) Deferred consideration income and receivable

	September 30, 2011	December 31, 2010
	\$	\$
Deferred consideration receivable – beginning of period	3,592	-
Deferred consideration income for the period	1,908	5,092
Less: current deferred consideration receivable	(5,500)	(1,500)
Deferred consideration receivable – end of period	<u>-</u>	<u>3,592</u>

Pursuant to a sale and purchase agreement (the “SPA”) dated June 13, 2009 with OJSC Polymetal (“Polymetal”), on October 30, 2009 the Company completed the sale of its Varvarinskoye Project to Polymetal for an initial consideration of \$8 million with deferred consideration of up to \$12 million and, as a result, the Company was released from all of its financial and guarantor obligations relating to the Varvarinskoye Project. 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.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

Of the \$5.1 million deferred consideration receivable asset as at December 31, 2010 the Company recorded \$1.5 million as a current deferred consideration receivable, received in January 2011, and \$3.6 million as a long term deferred consideration receivable asset.

In July 2011, the Company entered into a binding agreement with Polymetal to receive \$5.5 million as early and final settlement of its outstanding deferred consideration entitlement. Following the receipt in September 2011 of \$5.5 million cash the Company netted off the \$5.5 million against the \$3.6 million long term deferred consideration receivable asset, as mentioned above, and as a result recorded net deferred consideration income of \$1.9 million for the nine months ended September 30, 2011.

b) Net investment in oil interests

	September 30, 2011 \$	December 31, 2010 \$
Balance - Beginning of period	392	643
Royalty income	-	(251)
Less: disposal of oil interests	(392)	-
Balance - End of period	<u>-</u>	<u>392</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 and an entitlement to a 1% gross overriding royalty (based on gross sales proceeds less certain sales related costs and taxes) which would be payable to the Company from all oil produced from Tasbulat exceeding 2.0 million barrels of oil equivalent and the Company anticipated that its residual net investment in Tasbulat would be fully recovered from the future royalty income that it would be entitled to. As at December 31, 2010 the Company had a net outstanding oil interest in Tasbulat of \$392,000 recorded as a long term other asset.

In September 2011, the Company received \$1.3 million cash in early and final settlement of all its outstanding oil interests in the Tasbulat. The Company netted off the \$1.3 million against the \$392,000 long term other asset, as mentioned above, and as a result recorded recognised net income of \$0.9 million as at September 30, 2011.

5. Exploration properties

The exploration licences held by the Company are as follows:

	September 30, 2011 \$	December 31, 2010 \$
Karchiga (note a)	4,404	4,404
Akdjol-Tokhtazan (note b)	6,054	6,054
	<u>10,458</u>	<u>10,458</u>

a) Karchiga exploration license area, 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. In April 2011, the Company received approval to commence mineral extraction within the Karchiga exploration license area for copper and is the initial step in obtaining all the necessary approvals and permits to commence mining operations.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

In May 2011, the Company completed the acquisition of the remaining 26.1% of Eildon, the owner of a 94.75% interest in MLD and holder of the Karchiga exploration license, for a cash consideration of \$6,187,500. In accordance with IFRS IAS 27, "Consolidated and Separate Financial Statements", the Company has recognized the change in non controlling interest by recording the fair value of the consideration paid directly to shareholders equity and attributed the full cost of \$6,187,500 to the shareholders of the Company.

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.

6. Equity investment in Talas Joint Venture

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. 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.

In December 2008 the Company entered into a joint venture agreement (the "JV Agreement") to further develop the Talas licence area with Goldfields Orogen Holdings BVI Limited ("Gold Fields") and, under the terms of the JV Agreement, Gold Fields became the project operator. In January 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 Talas Joint Venture Company has been accounted for as an associate under the equity method.

A summary of the carrying value of the Company's equity investment in the Talas Joint Venture is set out below:

	September 30, 2011	December 31, 2010
	\$	\$
Fair value of equity investment – beginning of period	10,221	10,240
Funding provided by the Company during period	611	951
Less: Company's 40% share of operating losses in the period	(712)	(970)
Fair value of equity investment - at end of period	<u>10,120</u>	<u>10,221</u>

7. Derivative warrant liability

A summary of the changes in the Company's listed share purchase warrants for the period ended September 30, 2011 and for the year ended December 31, 2010 (restated from Canadian GAAP to IFRS see note 3) is set out below:

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

	September 30, 2011			December 31, 2010		
	Value Assigned \$	Warrants Outstanding 000's	Average exercise price CAD\$	Value Assigned \$	Warrants Outstanding 000's	Average exercise price CAD\$
Balance – At beginning period	6,245	60,045	0.57	11,228	11,234	1.33
Warranted granted	-	-		6,201	56,000	
Fair value re-measurement in period	(6,071)	-		(8,508)	-	
Warrants expired	-	(4,045)		(2,676)	(7,189)	
Balance – End of period	<u>174</u>	<u>56,000</u>	0.50	<u>6,245</u>	<u>60,045</u>	0.57

A summary of the share purchase warrants outstanding and exercisable as at September 30, 2011 is set out below:

Exercise Price CAD\$	Expiry date	Number 000's	Value \$000s
0.50	April 16, 2012	56,000	174
		<u>56,000</u>	<u>174</u>

The initial fair value on recognition of the Share Purchase Warrants was calculated using the Black-Scholes pricing model, using the assumptions in the following table. Subsequent to their initial recognition, the share purchase warrants liability is re-measured and re-translated each reporting period in accordance with IAS 32.

	As at September 30, 2011	As at December 31, 2010	Original fair value
Exchange rate at date of fair value	1.0421	0.9937	1.0128
Risk free interest rate	1.07%	1.40%	1.78%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	89.77%	101.72%	149.95%
Expected warrant life	0.55 years	1.3 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.

8. Shareholders equity

a) Authorized Share capital

The Company is authorized to issue 100,000,000,000 common shares of no par value. As at September 30, 2011 the total issued share capital of the Company was 157,696,049 common shares.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

A summary of the changes in the Company's issued share capital for the nine months ended September 30, 2011, and the year ended December 31, 2010 are set out below:

	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
	Number of shares 000's	Amount \$	Number of shares 000's	Amount \$
Balance - Beginning of period	157,696	380,145	45,696	361,440
Gross proceeds from offering (Note i)	-	-	112,000	21,445
Share issue costs (note ii)	-	-	-	(1,862)
Broker warrants (note iii)	-	-	-	(878)
Balance – End of period	<u>157,696</u>	<u>380,145</u>	<u>157,696</u>	<u>380,145</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 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 and legal and professional costs of \$0.7 million. As these costs related to the issue of the Units and the Warrants have also been allocated on a pro rata basis. Under IFRS the allocated cost for the Warrants has been charged to net income;
- iii. Also in relation to the Offering the Company granted 6,720,000 non transferrable warrants ("Broker Warrants") equal to 6% of the total Units sold to the Agent 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. Under IFRS the allocated cost for the Warrants has been charged to net income;

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (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 recognised in equity for the nine months ended September 30, 2011 and year ended December 31, 2010 (restated from Canadian GAAP to IFRS) is set out below:

	2011			2010		
	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 the period	7,580	4,897	0.33	1,621	6,609	0.96
Broker Warrants issued (note i)	-	-		6,720	1,131	
Share purchase warrants expired (note ii)	-	-		(761)	(2,843)	
Balance - End of the period	<u>7,580</u>	<u>4,897</u>	0.33	<u>7,580</u>	<u>4,897</u>	0.33

Notes:

- In relation to the Offering the Company granted 6,720,000 Broker Warrants to the Agent. 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 of 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 net income, \$253,000;
- As at December 31, 2010, 761,000 share purchase warrants previously issued to lenders of debt and equity holders between 2005 and 2008 in relation to the Varvarinskoye Project expired.

A summary of the Broker warrants outstanding and exercisable as at September 30, 2011 is set out below:

2011		
Exercise Price CAD\$	Expiry date	Number 000's
9.20	October 17, 2011	860
0.25	April 16, 2012	<u>6,720</u>
		<u>7,580</u>

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

	Broker warrants issued in 2010	Broker warrants issued to debt lenders issued from 2006
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.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

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 nine months ended September 30, 2011 and year ended December 31, 2010 is set out below:

	2011			2010		
	Options outstanding 000’s	Value assigned \$	Average exercise price \$	Options outstanding 000’s	Value assigned \$	Average exercise price \$
Balance – Beginning of period	14,708	5,904	0.45	2,085	12,550	8.08
Options granted September 2011 advisors (note i)	500	26		-	-	
Options granted September 2011 (note ii)	500	-		-	-	
Options granted February 2011 (note iii)	75	8		-	-	
Options granted April 2010 (note iv)	-	354		13,250	1,532	
Options granted April 2010 forfeited	-	-		(713)	(68)	
Options granted June 2010 advisors (note v)	-	3		200	13	
Options granted August 2010 (note vi)	-	16		500	24	
Options granted October 2010 advisors (note vii)	-	8		300	19	
Options granted October 2010 (note viii)	-	47		500	32	
Options granted December 2010 (note ix)	-	56		500	10	
Options vested	-	-		-	255	
Options forfeited	-	-		(647)	(2,461)	
Options lapsed	(80)	(529)		(30)	(620)	
Options cancelled (note x)	-	-		(1,237)	(5,382)	
Balance – End of period	15,703	5,893	0.41	14,708	5,904	0.45

Notes:

- i. On September 21, 2011, the Company granted 500,000 options to Endeavour Financial International Corporation upon the signing of an advisory agreement, for a period of 3 years at an exercise price of CAD\$0.30 with 250,000 options vesting immediately and 250,000 options vesting upon the successful completion of arranging non equity finance for the construction of a mine for the Karchiga Project;
- ii. On September 21, 2011 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 March 21, 2012 and September 21, 2013;
- iii. On February 22, 2011, the Company granted 75,000 options to a consultant of the Company for a period five years at an exercise price of CAD\$0.30 and vesting between August 22, 2011 and February 22, 2013;

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

- iv. 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;
- v. 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;
- vi. 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;
- vii. 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;
- viii. 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;
- ix. 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;
- x. 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.

Information relating to share options outstanding at September 30, 2011 is as follows:

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	15,375,000	3.57	0.26	7,293,750	0.26
2.40 – 4.99	45,000	2.82	2.87	45,000	2.87
5.00 – 9.99	262,500	3.71	8.24	262,500	8.24
10.00 – 14.90	20,000	0.51	12.60	20,000	12.60
	<u>15,702,500</u>	3.56	0.41	<u>7,621,250</u>	0.58

The fair values of the share options granted are based on the Black-Scholes option-pricing model using the following assumptions:

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

	September 30, 2011	September 30, 2010
	\$	\$
Average exercise price	C\$0.41	C\$1.04
Dividend yield	Nil	Nil
Risk free interest rate	0%-2.37%	0%-3.33%
Expected options life	2.8 – 3.0 years	2.8 – 3.0 years
Expected stock price volatility	89% – 140%	58.58% – 158.28%

The expected stock price volatility is measured using the daily closing stock price, in CAD\$, over a period equivalent to the vesting period of the stock options from the date of grant.

9. Related party transactions

(a) Talas Joint Venture contributions

	Nine months ended September 30,	
	2011	2010
	\$	\$
Funding contributions	611	338

The related party transaction relates to the Company's pro-rata funding of its 40% share in the Talas Joint Venture with Gold Fields.

(b) Key management compensation

Key management includes directors and officers. The compensation paid or payable to key management for employee services is shown below.

	Nine months ended September 30,	
	2011	2010
	\$	\$
Salaries and other short-term employee benefits	1,014	820

10. Commitments

The following table summarizes the commitments of the Company as at September 30, 2011:

	2011	2012	2013	2014	2015 +	Total
	\$	\$	\$	\$	\$	\$
Lease obligations	-	342	342	342	400	1,426

The Company's lease obligations are for its London head office property rents, payable under a lease agreement expiring in February 2016. Following the completion of a rent review in September 2011, under the terms of the lease agreement, the Company agreed an annual rent for the head office property which will remain unchanged for the remaining term of the lease.

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

11. Segment information

Operating segments are based on the reports reviewed by the board of directors that are used to make strategic decisions.

The segment information provided to the board for the reportable segments for the nine months ended September 30, 2011 is as follows:

	Discontinued operations	Mineral exploration and development (Kazakhstan)	Mineral exploration and development (Kyrgyzstan)	Corporate (UK)	Total
	\$	\$	\$	\$	\$
Deferred consideration income	1,908	-	-	-	1,908
Sale of investment in oil properties	-	-	-	942	942
Administrative	-	(631)	(29)	(2,048)	(2,708)
Legal and professional	-	-	-	(899)	(899)
Exploration	-	(3,314)	(132)	-	(3,446)
Talas Joint Venture losses	-	-	(712)	-	(712)
Stock-based compensation	-	-	-	(518)	(518)
Unrealized derivative gains	-	-	-	6,071	6,071
Net foreign exchange (losses)/ gains	-	(29)	3	20	(6)
Net off finance income and expense	-	8	-	45	53
Net income/ (loss) for the period	<u>1,908</u>	<u>(3,966)</u>	<u>(870)</u>	<u>3,613</u>	<u>685</u>
Property, plant and equipment	-	136	50	230	416
Total assets	-	6,389	16,418	13,560	36,367
Capital expenditure	-	50	4	7	61

Orsu Metals Corporation

Notes to Consolidated Financial Statements

For the period ending September 30, 2011 (Unaudited)

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

The segment information for the nine months ended September 30, 2010 is as follows:

	Mineral exploration and development (Kazakhstan) \$	Mineral exploration and development (Kyrgyzstan) \$	Corporate (UK) \$	Total \$
Administrative	(474)	(43)	(2,109)	(2,626)
Legal and professional	-	-	(1,800)	(1,800)
Exploration	(782)	(246)	-	(1,028)
Talas Joint Venture losses	-	(656)	-	(656)
Stock-based compensation	-	-	(1,440)	(1,440)
Unrealized derivative gains	-	-	9,840	9,840
Net foreign exchange (losses)/ gains	46	3	(427)	(378)
Net of finance income	5	-	25	30
Net income/ (loss) for the period	<u>(1,205)</u>	<u>(942)</u>	<u>4,089</u>	<u>1,942</u>
Property, plant and equipment	108	56	310	474
Total assets	15,151	6,309	24,032	45,492
Capital expenditure	5	-	37	42

The amounts provided to the board with respect to total assets are measured in a manner consistent with that of the financial statements.