Orosur Mining Inc.
(formerly Uruguay Mineral Exploration Inc.)

Consolidated Interim Financial Statements
For the three and nine month periods ended February 28, 2010
(Unaudited)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have reviewed the un-audited financial statements for the period ended February 28, 2010.

Orosur Mining Inc.
Consolidated Balance Sheets
(Unaudited)
(Thousands of United States Dollars, except where indicated

	As at	
	February 28, 2010	May 31, 2009
	$	$
Assets		
Current assets		
Cash	**7,150**	9,496
Accounts receivable (note 4)	**3,060**	2,899
Inventories (note 5)	**16,325**	17,642
Prepaid expenses	**859**	915
Total current assets	**27,394**	30,952
Property plant and equipment and mineral properties (note 6)	**14,196**	16,953
Deferred exploration (note 7)	**25,283**	12,437
Future income tax assets	**3,800**	3,001
Restricted cash	**184**	173
Total non current assets	**43,463**	32,564
Total assets	**70,857**	63,516
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**11,665**	7,354
Fair value of derivatives	**0**	464
Restructure plan	**0**	250
Debt	**41**	37
Total current liabilities	**11,706**	8,105
Asset retirement obligation	**2,975**	2,862
Total non current liabilities	**2,975**	2,862
Total liabilities	**14,681**	10,967
Capital stock	**42,270**	34,642
Contributed surplus	**4,640**	4,239
Accumulated other comprehensive income	**(19)**	(19)
Retained earnings	**9,285**	13,687
Total shareholders' equity	**56,176**	52,549
Total liabilities and shareholders' equity	**70,857**	63,516

Approved by the Board of Directors

"Ignacio Salazar" Director *"David Fowler"* Director

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

Orosur Mining Inc.
Consolidated Statements of Income, other comprehensive income and Retained Earnings
(Unaudited)
(Thousands of United States Dollars except for earnings per share and weighted average number of shares outstanding)

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
	$	**$**	$	$
Net Sales	**13,152**	17,125	**40,461**	46,505
Operating expenses	**(12,173)**	(11,071)	**(36,389)**	(38,225)
Depreciation	**(2,228)**	(4,600)	**(7,865)**	(13,571)
Operating expenses and depreciation	**(14,401)**	(15,671)	**(44,254)**	(51,796)
Sub-total	**(1,249)**	1,454	**(3,793)**	(5,291)
Other income (expenses)				
Stock based compensation expense	**(73)**	50	**(377)**	(236)
General and administrative expense	**(930)**	(910)	**(2,538)**	(3,173)
Non-hedged derivative gain (loss)	**0**	(901)	**464**	(1,696)
Exploration expenses written off	**(11)**	(775)	**(382)**	(775)
Net interest loss and debt accretion	**(43)**	(80)	**(190)**	(218)
Foreign exchange gain (loss)	**(73)**	13	**(84)**	37
Other income	**33**	32	**1,484**	309
	(1,097)	(2,571)	**(1,623)**	(5,752)
Loss before taxes	**(2,346)**	(1,117)	**(5,416)**	(11,043)
Current income taxes recovery (provision)	**0**	(29)	**215**	1,081
Future income taxes recovery (provision)	**(574)**	48	**799**	(1,897)
Net and comprehensive loss for the period	**(2,920)**	(1,098)	**(4,402)**	(11,859)
Retained earnings, beginning of period	**12,205**	17,281	**13,687**	28,042
Retained earnings, end of period	**9,285**	16,183	**9,285**	16,183
Basic and diluted loss per common share (note 12)	**(0.05)**	(0.02)	**(0.08)**	(0.24)
Weighted average shares outstanding				
Basic	**59,177,493**	48,667,068	**52,170,543**	48,672,890
Diluted	**59,177,493**	48,667,068	**52,170,543**	48,871,567

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

Orosur Mining Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(Thousands of United States Dollars, except where indicated)

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
	$	**$**	$	$
Operating activities				
Net loss for the period	**(2,920)**	(1,098)	**(4,402)**	(11,859)
Adjustments for:				
Depreciation	**2,228**	4,600	**7,865**	13,571
Fair value of derivatives	**0**	901	**(464)**	1,696
Accretion of asset retirement obligation and debt	**35**	36	**113**	118
Future income taxes	**574**	(48)	**(799)**	1,897
Stock based compensation	**73**	(50)	**377**	236
Asset sales	**0**	0	**(1,343)**	0
Exploration expenses written off	**11**	775	**382**	775
Other	**(113)**	(163)	**(51)**	332
	(112)	4,953	**1,678**	6,766
Net change in non-cash working capital balances (Note 10)	**1,220**	(862)	**4,214**	(3,477)
	1,108	4,091	**5,892**	3,289
Financing activities				
Payments of finance lease net of draw downs	**34**	(46)	**4**	(140)
Share repurchase	**0**	0	**0**	(401)
	34	(46)	**4**	(541)
Investing activities				
Purchase of property, plant and equipment and development costs	**(1,191)**	(537)	**(5,240)**	(4,994)
Assets sales	**8**	0	**2,572**	0
Exploration expenditure	**(2,200)**	(1,896)	**(5,574)**	(8,304)
	(3,383)	(2,433)	**(8,242)**	(13,298)
Increase (Decrease) in cash	**(2,241)**	1,612	**(2,346)**	(10,550)
Cash at the beginning of period	**9,391**	6,439	**9,496**	18,601
Cash at the end of period	**7,150**	8,051	**7,150**	8,051

Orosur Mining Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)
(Thousands of United States Dollars, except where indicated)

	Three months ended February 2010		Nine months ended February 2009	
	Number (000's)	**Amount ($)**	Number (000's)	Amount ($)
Common shares				
Balance at beginning of period	48,667	34,642	48,667	34,642
Issued for Fortune Valley acquisition	15,766	7,628	15,766	7,628
Balance at end of period	**64,433**	**42,270**	**64,433**	**42,270**
Contributed surplus				
Balance at beginning of period		4,543		4,239
Issued for Fortune Valley acquisition		25		25
Employee stock based compensation recognized		72		376
Balance at end of period		**4,640**		**4,640**
Accumulated other comprehensive income				
Balance at beginning of period		(19)		(19)
Movement for the period		0		0
Balance at end of period		**(19)**		**(19)**
Retained earnings				
Balance at beginning of period		12,205		13,687
Net loss for the period		(2,920)		(4,402)
Balance at end of period		**9,285**		**9,285**
Shareholders' equity at end of period		**56,176**		**56,176**

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

1. Basis of presentation

These consolidated unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended May 31, 2009, since they do not contain all disclosures required by GAAP annual financial statements. The unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented. Actual results could differ from those estimates. The reference to "the Company" in these consolidated financial statements includes the parents and all of its subsidiaries. All inter-company transactions and balances have been eliminated.

2. Change of name to Orosur Mining Inc.

On October 13, 2009, the annual shareholder meeting approved to amend the Articles of Uruguay Mineral Exploration Inc. to change its name to Orosur Mining Inc. Effective January 7, 2010 the name was changed.

3. Business combination – Acquisition of Fortune Valley Resources Inc.

On January 7, 2010, the Company and Fortune Valley Resources Inc. (Fortune Valley) announced the completion of the plan of arrangement pursuant to which Orosur has acquired all of the issued and outstanding common shares of Fortune Valley in consideration of 0.4534 common shares of the Company for each Fortune Valley share, plus an additional CDN$ 0.001 in cash for each Fortune Valley share. Additionally, each Fortune Valley option outstanding has been exchanged for an option to acquire a Company's share at the same share exchange ratio. The original option terms and conditions have been maintained, with the new exercise price equal to the quotient of the Fortune Valley option price and the share exchange ratio.

The arrangement was carried out pursuant to the provisions of the Business Corporations Act (British Columbia) and was approved by the Supreme Court of British Columbia and the affirmative vote of Fortune Valley's shareholders at a special meeting of the shareholders held on December 29, 2009. Pursuant to the Arrangement, Orosur acquired 34,772,025 issued and outstanding common shares of Fortune Valley (representing 100% of Fortune Valley's outstanding common shares) in consideration for the issuance of 15,765,638 of the Company's common shares at CAD$ 0.50 per share and cash consideration in the aggregate amount of $ 34. In addition, holders of Fortune Valley options are entitled to receive 1,008,815 of the Company's common shares on exercise of 2,225,000 Fortune Valley options at a Company's weighted average price of CAD$ 0.82 per share.

(Thousands of United States Dollars, except where indicated)

3. Business combination – Acquisition of Fortune Valley Resources Inc. – continued

The purchase price was calculated as follows:

	$
Common shares issued – 15,765,638 shares	7,628
Fair value of stock options issued – 1,008,815 options	25
Cash consideration	33
Transaction costs	344
Total purchase price	8,030

For the purpose of these consolidated financial statements, the following table sets forth a preliminary allocation of the purchase price to assets and liabilities acquired. This is a preliminary purchase price allocation and therefore subject to adjustments over the course of the financial year on completion of the valuation process of all assets and liabilities fair value and analysis of resulting tax effects.

	$
Cash	20
Accounts receivable	20
Accounts payable and accrued liabilities	(436)
Debt with Orosur	(644)
Deferred exploration	9,070
Total purchase price	8,030

The primary assets acquired are signed option agreements to acquire 100% interest in the Pantanillo property and 65% interest in the Anillo property, all located in Chile. Option agreements are detailed in Note 7 of these interim financial statements.

4. Accounts receivable

	February 28, 2010 ($)	May 31, 2009 ($)
Tax receivables (a)	**2,851**	2,826
Assets sales receivables (b)	**200**	0
Other receivables	**9**	73
	3,060	2,899

(a) Tax receivables consists mainly of Uruguayan Value Added Tax refunds. Additionally, there are some refunds for Canadian GST, Uruguayan capital tax and Uruguayan export tax refunds. Uruguayan export tax refunds have been granted as a 2% of FOB value of the export of dore. This benefit has been eliminated for exports shipped after October 1, 2009.

(b) Relates to the head office building sale as stated in note 5 (c).

(Thousands of United States Dollars, except where indicated)

5. Inventories

	February 28, 2010 ($)	May 31, 2009 ($)
Finished metals	**1,375**	802
Ore in stockpiles	**4,337**	6,121
Gold in circuit	**943**	862
Materials and supplies	**9,670**	9,857
	16,325	17,642

6. Property, Plant and Equipment and Mineral Properties

February 28, 2010

	Cost	**Accumulated Amortization and Depletion**	**Net Book Value**
Land and lease rights	**1,691**	**0**	**1,691**
Plant, equipment and infrastructure	**33,828**	**25,082**	**8,746**
Mineral properties	**33,464**	**29,705**	**3,759**
	68,983	**54,787**	**14,196**

May 31, 2009

	Cost	Accumulated Amortization and Depletion	Net Book Value
Land and lease rights	2,088	0	2,088
Plant, equipment and infrastructure	31,035	22,091	8,944
Mineral properties	31,075	25,154	5,921
	64,198	47,245	16,953

(a) The plant is located on leased land. The lease expires in 2026. No further payments are due on the lease.

(b) Included in plant and equipment is $ 1,191 (May 2009 - $ 1,262) of major spare parts that are amortized over a period of two to four years. These major spare parts are maintained to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure.

(c) During November, the Company sold the head office buildings located in Montevideo for a total consideration of $ 2,300.

(Thousands of United States Dollars, except where indicated)

7. Deferred Exploration

Movements on deferred exploration are shown hereinafter:

	February 28, 2010 ($)	May 31, 2009 ($)
Balance at beginning	**12,437**	8,948
Payments for exploration expenditure	**5,216**	10,106
Acquisition of Fortune Valley – non cash consideration	**8,712**	0
Acquisition of Fortune Valley – cash consideration	**358**	0
Reclassification to Mine properties	**(1,058)**	(3,923)
Exploration expenses written off	**(382)**	(2,694)
Balance at end of the period	**25,283**	12,437

(a) Exploration agreements and acquisitions rights and obligations: Exploration agreements and acquisitions rights and obligations are disclosed in the notes to the Company's audited annual Financial Statements for the year ended May 31, 2009. During the current period the following new agreements have been entered into:

i) On January 8, 2010 the Company entered into an Option Agreement with Gladiator Resources Limited ("Gladiator"), an ASX listed mineral exploration and development company, which gives Gladiator the right to earn up to an 80% interest in the iron ore, manganese ore and base metal assets in the Company's tenements located in the Isla Cristalina Belt.

During the option period Gladiator is committed to spend $ 150 on evaluation work and produce a report covering the iron ore and manganese resource potential of the area together with a conceptual development plan. Gladiator must complete its report and may exercise the option to proceed on or before April 30, 2010 by entering into a definitive agreement by which Gladiator will issue to the Company the equivalent of $AUD 100,000 in fully paid shares in Gladiator at market value.

Following this initial payment, Gladiator will be entitled to earn a 20% interest by spending $1,000 on work programs. Gladiator may, at its option, earn a further 31% by spending a further $4,000 taking its total interest to 51%. Gladiator may then elect to earn a further 29% taking its interest to 80% by producing a bankable feasibility study on or before December 31, 2014.

ii) As a result of the acquisition of Fortune Valley referred in Note 3 of this interim Financial Statements, the Company has acquired the following option agreements:

- Option agreement signed on January 10, 2008 with Corporación Nacional del Cobre de Chile (Codelco) to acquire a 65% interest in the Anillo property located Region II of Chile. The Company must spend $ 3,000 over four years and complete a bankable feasibility study within a further two years in order to earn a 65% interest in the property.

7. Deferred Exploration – continued

Following the completion of the bankable feasibility study, Codelco and the Company will establish a joint venture company. The agreement includes an option for Codelco to place up to 20% of the capital stock in the new joint venture company with the public, provided that the Company retains the right to maintain its ownership interest. In the event the Company discovers a copper deposit on the Anillo property, Codelco will have a back-in right to increase its ownership interest by up to 35% to 70% by reimbursing the Company for its expenditures. The back-in right will not apply to the discovery of a gold deposit.

- Option agreement signed with Anglo American Norte S.A., a subsidiary of Anglo American plc. Under the agreement, the Company must spend $ 4,000 on development work and cash payments of $ 850 over a period of three years to acquire 100% interest in the Pantanillo property, located in Region III of Chile. The vendor will receive a 3.5% net smelter return royalty on future production from the property. An annual minimum royalty of $ 300 is payable in years four and five, increasing to $ 1,000 from year six.

(b) Exploration performance bonds: The Uruguay Mining legislation requires all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration activities. The Company has facility agreements with Uruguayan local insurance companies and banks to support the required guarantees. The total guarantees provided at February 28, 2010 to support exploration activities on tenements granted were 3,707 (May 2009 - $ 3,445).

8. Equity Instruments

(a) Capital authorized: Unlimited number of Common Shares

(b) Employee stock options: The Company has an option Plan for its officers, directors, employees and consultants of the Company and its subsidiaries. Options under the plan are typically granted in such numbers as reflects the responsibility of the particular optionee and his or her contribution to the business and activities of the Company. Options granted under the plan have a term of up to 5 years. Except in specified circumstances, options are not assignable and terminate on the optionee ceasing to be employed by or associated with the Company. The terms of the Plan further provide that the price at which shares may be issued under the Plan cannot be less than the market price (net of permissible discounts) of the shares when the relevant options were granted. One third of options granted vest on the date of grant, one third on the first anniversary from granted and one third on the second anniversary from granted.

For the quarter and nine month period ending February 28, 2010 an amount of 791,000 options were granted at a weighted average exercise price of CDN$ 0.61 per option. During the quarter and nine month period ended February 28, 2010, $ 73 and $ 377 of compensation expense was recorded respectively (February 28, 2008 $ (50) and $ $ 236). At November 30, 2009 the aggregate unamortized value of unvested stock options amounted to $ 236 (May 31, 2009 - $ 292).

8. Equity Instruments – continued

The weighted average fair values of all stock options granted for the nine months ended February 28, 2010 were CDN$ 0.97 (May 31, 2009 – CDN$ 0.83), estimated as of the date of grant using the Black-Scholes option pricing model with the following average assumptions:

	Nine months ended February 2010	Financial year ended May 2009
Expected option life (years)	2.3	Range of 2.2 to 3.1
Volatility	105%	Range of 55% to 95%
Risk-free interest rate	1.30%	Range of 1.10% to 3.12%
Dividend yield	Nil	Nil

Additionally to these options granted, the Company has issued 1,008,815 options to acquire the Company's common shares in consideration for Fortune Valley acquisition as referred in Note 3 of these Interim Financial Statements at a Company's weighted average price of CAD$ 0.82 per share. According to the Company's policy, these options will expire after three months from the date of the transaction, given that the holders will no longer have a relation with the Company as employees or consultants. As a consequence, a fair value of the options of $ 25 has been determined considering the fair value to be the equivalent to the vested amount of options that can be exercised before their expiry date.

The following table summarizes information regarding the Company's outstanding options as at February 28, 2010:

	Number of Shares (000's)	Option Price per Share Range CDN $	Weighted Average Exercise Price CDN $
Balance at May 31, 2009	3,172	$0.38 - $5.50	$2.98
Options – granted	791	$0.61	$0.61
Options – issued on Fortune Valley acquisition	1,009	$0.28 - $1.65	$0.82
Exercised, cancelled and forfeited	(1,514)	$0.60 - $5.40	$ 2.95
Balance at February 28, 2010	3,458	$0.28 - $5.50	$1.82

Outstanding				Exercisable	
Options 000s	Range of option price CDN $	Weighted average Exercise Price CDN $	Weighted average remaining contractual life Years	Options 000s	Weighted average Exercise Price CDN $
2,198	0.28 – 3.00	0.63	2.53	1,260	0.73
892	3.01 – 4.00	3.56	2.23	723	3.62
368	4.01 – 5.50	4.70	0.73	368	4.70
3,458		1.82	2.26	2,351	2.24

(Thousands of United States Dollars, except where indicated)

8. Equity Instruments – continued

At February 28, 2010 there were 3,458,295 options outstanding, of which 2,351,422 are exercisable. The weighted average exercise price of the options outstanding at February28,, 2010 is CDN$ 1.82 (May 31, 2009 CDN$ 2.98).

9. Segment Information

The Company has three reportable segments: gold, exploration and corporate. The corporate segment is responsible for corporate financing and other business development activities for the Company. The gold segment operates the San Gregorio gold mine in Uruguay and the exploration segment is devoted to the acquisition and exploration of mineral properties in Uruguay and Chile.. Precious metals are refined and sold in Europe through one refinery.

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
For nine months ended February 28, 2010					
Net Sales	**40,461**	**0**	**0**		**40,461**
Depreciation	**(7,509)**	**(356)**	**0**	**0**	**(7,865)**
Net interest loss	**(190)**	**0**	**0**	**0**	**(190)**
Income tax recovery	**1,014**	**0**	**0**	**0**	**1,014**
Net loss	**(1,470)**	**(1,802)**	**0**	**(1,130)**	**(4,402)**
Capital Expenditure	**5,240**	**4,685**	**889**		**10,814**

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
For three months ended February 28, 2010					
Net Sales	**13,152**	**0**	**0**		**13,152**
Depreciation	**(2,116)**	**(112)**	**0**	**0**	**(2,228)**
Net interest loss	**(43)**	**0**	**0**	**0**	**(43)**
Income tax expense	**(574)**	**0**	**0**	**0**	**(574)**
Net loss	**(2,039)**	**(527)**	**0**	**(354)**	**(2,920)**
Capital Expenditure	**1,191**	**1,311**	**889**	**0**	**3,391**

As at 28 February 2010

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
Property, plant and equipment and mineral properties	**13,530**	**666**	**0**	**0**	**14,196**
Deferred exploration	**0**	**15,636**	**9,647**	**0**	**25,283**

(Thousands of United States Dollars, except where indicated)

9. Segment Information – continued

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
For nine months ended February 28, 2009					
Net Sales	46,505	0	0		46,505
Depreciation	(13,023)	(548)	0	0	(13,571)
Net interest loss	(218)	0	0	0	(218)
Income tax expense	(816)	0	0	0	(816)
Net loss	(7,960)	(2,434)	0	(1,465)	(11,859)
Capital Expenditure	4,994	8,304	0	0	13,298

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
For three months ended February 28, 2009					
Net Sales	17,125	0	0		17,125
Depreciation	(4,418)	(182)	0	0	(4,600)
Net interest loss	(80)	0	0	0	(80)
Income tax recovery	19	0	0	0	19
Net gain (loss)	490	(1,224)	0	(364)	(1,098)
Capital Expenditure	537	1,896	0	0	2,433

As at 28 February 2009

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
Property, plant and equipment and mineral properties	20,030	1,175	0	1,235	22,440
Deferred exploration	0	13,031	0	0	13,031

(Thousands of United States Dollars, except where indicated)

10. Statements of Cash Flows

(a) The net change in working capital items is as follows:

	Three months ended February 28		Nine months ended November 28	
	2010 ($)	2009 ($)	**2010 ($)**	2009 ($)
Prepaid expenses and other	**115**	(19)	**56**	(88)
Accounts receivable	**1,117**	167	**(141)**	(1,457)
Accounts payable and accrued liabilities	**(62)**	(479)	**3,232**	(473)
Inventory	**50**	(531)	**1,317**	(1,459)
Restructure plan payments	**0**	0	**(250)**	0
Net change in non-cash working capital balances	**1,220**	(862)	**4,214**	(3,477)

As part of Fortune Valley acquisitions as detailed in Note 3, the Company acquired accounts receivables for $ 20 and accounts payables for $ 1,079.

(b) Other information

	Three months ended February 28		Nine months ended February 28	
	2010 ($)	2009 ($)	**2010 ($)**	2009 ($)
Cash interest paid	**9**	13	**36**	37
Cash taxes paid	**0**	0	**0**	0

11. Financial Instruments

The Company's activity exposes it to a variety of financial risks, mainly to commodity price risk and currency risk. The Company overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company financial performance.

(a) Commodity Price Risk: The Company occasionally and discretionally uses financial derivatives to mitigate the risk of gold price fluctuations. As at February 28, 2010 no financial derivatives are outstanding.

(b) Currency risk: The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to its functional currency, the US dollar. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

11. Financial Instruments – continued

Cash balances are held principally in US dollars, while its expenses are incurred in Uruguay pesos as well as US dollars and other currencies. The Company reports its results in United States dollars. There would be an adverse impact on the reported results if the following situations arise:

(i) The Uruguay inflationary impact on the peso expenses increases at more than the depreciation of the Uruguay peso against the United States dollar. This would result in an increase of the peso-based expenses.

(ii) The United States dollar depreciates against the Uruguay peso. This would reduce the available cash resources and increase the related expense.

A significant portion of the Company's operations are located in Uruguay, and are subject to fluctuations in exchange rates. The Company manages its currency rate risk by denominating its contracts and commitments, where possible, in US dollars

(c) Fair value: The Company's financial instruments include cash and cash equivalents, receivables, accounts payable, accrued liabilities and debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

(d) Credit risk: The Company is exposed to credit risk with respect to managing its cash position. This risk, from deposit granting institutions and/or commercial paper issuers, is mitigated by using well capitalized financial institutions. Credit risk relating to accounts receivable arises from the possibility that any counterparty to an instrument may fail to perform. The Company currently transacts with highly-rated counterparties for the sale of gold.

(e) Capital management: The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The strategy remains unchanged from 2007. The Company will raise capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

(f) Insurance

The Company purchases limited discretionary insurance to cover catastrophic property damage, business interruption and liability risk.

(Thousands of United States Dollars, except where indicated)

12. Basic & Diluted earnings (loss) per share

The reconciliation of basic and diluted earnings per share where relevant are as follows:

	Three months ended February 28,		Nine months ended February 28,	
	2010	**2009**	**2010**	**2009**
Basic earnings per share				
Numerator				
Net loss available to shareholders	(2,920)	(1,098)	(4,402)	(11,859)
Denominator				
Weighted average shares outstanding	59,177,493	48,667,068	52,170,543	48,672,890
Basic loss per share (cents per share)	(0.05)	(0.02)	(0.08)	(0.24)
Diluted earnings per share				
Numerator				
Net earnings (loss) available to shareholders	(2,920)	(1,098)	(4,402)	(11,859)
Denominator				
Weighted average shares outstanding	59,177,493	48,667,068	52,170,543	48,672,890
Potential net incremental issue of shares from stock options	0	0	0	198,677
Shares outstanding plus assumed conversions	59,177,493	48,667,068	52,170,543	48,871,567
Diluted loss per share (cents per share)	(0.05)	(0.02)	(0.08)	(0.24)

Basic earnings (loss) per common share ("EPS") have been calculated using the weighted-average number of shares outstanding during the period. The calculation of diluted earnings per common share has been computed using the treasury stock method which assumes that options and warrants with an exercise price lower than the average quoted market price were exercised at the beginning of the period, or at time of issue. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per common share as the effect is anti-dilutive. The average quoted market price of the common shares during the nine month and three month periods ended February 28, 2010 were CDN$0.45 and CDN$ 0.45 respectively (Year end May 2009 - CDN$0.84).