

Orosur Mining Inc.
Consolidated Interim Financial Statements
For the three month period ended August 31, 2010
(Unaudited)

Contents

Consolidated Interim Financial Statements

Consolidated Balance Sheets	2
Consolidated Statements of Income, Comprehensive Income and Retained Earnings	3
Consolidated Statements of Cash Flows	4
Consolidated Statements of Changes in Shareholders' Equity	5
Notes to Consolidated Financial Statements	6 – 13

Orosur Mining Inc.
Consolidated Balance Sheets
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	As at	
	August 31,	May 31,
	2010	2010
	\$	\$
Assets		
Current assets		
Cash	10,746	8,691
Accounts receivable (Note 2)	1,822	2,351
Inventories (Note 3)	15,627	18,090
Prepaid expenses	1,159	1,220
Short term investments	90	0
Total current assets	29,444	30,352
Property plant and equipment and mineral properties (Note 4)	18,924	18,757
Deferred exploration (Note 5)	26,444	24,850
Future income tax assets	3,765	4,181
Restricted cash	187	191
Total non current assets	49,320	47,979
Total Assets	78,764	78,331
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	8,354	11,510
Current portion of long term debt	19	19
Total current liabilities	8,373	11,529
Long term debt	11	14
Future income tax liability	1,774	1,774
Asset retirement obligation	2,977	2,954
Total non current liabilities	4,762	4,742
Total liabilities	13,135	16,271
Capital stock	42,344	42,344
Contributed surplus	4,706	4,647
Accumulated other comprehensive income	(19)	(19)
Retained earnings	18,598	15,088
Total shareholders' equity	65,629	62,060
Total liabilities and shareholders' equity	78,764	78,331

Approved by the Board of Directors

"Ignacio Salazar" Director

"David Fowler" Director

The accompanying notes are an integral part of these consolidated 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	
	August 31	August 31
	2010	2009
	\$	\$
Net Sales	18,213	12,498
Operating expenses	(11,884)	(11,861)
Amortization and depreciation	(1,480)	(2,593)
Operating expenses	(13,364)	(14,454)
Sub-total	4,849	(1,956)
Other income (expenses)		
Stock based compensation expense	(59)	(94)
Derivative gain (loss)	(212)	464
Exploration expenses	(317)	0
General and administrative expense	(738)	(744)
Net interest and debt accretion loss	(15)	(71)
Foreign exchange gain (loss)	260	(17)
Other income	275	252
	(806)	(210)
Income (loss) before taxes	4,043	(2,166)
Recovery (provision) for income taxes	(533)	8
Net and comprehensive income (loss) for the period	3,510	(2,158)
Retained earnings, beginning of period	15,088	13,687
Retained earnings, end of period	18,598	11,529
Earnings (loss) per common share		
Basic and diluted (Note 11)	0.05	(0.04)
Weighted average shares outstanding		
Basic and diluted	64,795,426	48,667,068

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

Orosur Mining Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	Three months ended	
	August 31	August 31
	2010	2009
	\$	\$
Operating activities		
Net income (loss) for the period	3,510	(2,158)
Adjustments for:		
Amortization and depletion	1,480	2,593
Fair value of derivatives	0	(464)
Accretion of debt	23	32
Future Income taxes	416	(8)
Stock based compensation	59	94
Others	(78)	(59)
	5,410	30
Net change in non-cash working capital balances (Note 9)	(103)	2,629
	5,307	2,659
Financing activities		
Debt payment	(3)	(21)
	(3)	(21)
Investing activities		
Purchase of property, plant and equipment and development costs	(994)	(2,560)
Exploration expenditure	(2,255)	(1,680)
Assets sales	0	264
	(3,249)	(3,976)
Increase (decrease) in cash	2,055	(1,338)
Cash at the beginning of period	8,691	9,496
Cash at the end of period	10,746	8,158

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

Orosur Mining Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	For the three months ended August 31, 2010		For the financial year ended May 31, 2010	
	Number (000's)	Amount (\$)	Number (000's)	Amount (\$)
Common shares				
Balance at beginning of period	64,796	42,344	48,667	34,642
Issued for Fortune Valley acquisition	0	0	15,766	7,628
Exercise of stock options	0	0	363	74
Balance at end of period	<u>64,796</u>	<u>42,344</u>	64,796	<u>42,344</u>
Contributed surplus				
Balance at beginning of period		4,647		4,239
Employee stock based compensation recognized		59		407
Issued for Fortune Valley acquisition		0		25
Transfer to common shares		0		(24)
Balance at end of period		<u>4,706</u>		<u>4,647</u>
Accumulated other comprehensive income				
Balance at beginning of period		(19)		(19)
Movement for the period		0		0
Balance at end of period		<u>(19)</u>		<u>(19)</u>
Retained earnings				
Balance at beginning of period		15,088		13,687
Net income for the period		3,510		1,401
Balance at end of period		<u>18,598</u>		<u>15,088</u>
Shareholders' equity at end of period		<u>65,629</u>		<u>62,060</u>

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

Orosur Mining Inc.
Notes to Consolidated Interim Financial Statements
(Unaudited)

(Thousands of United States Dollars, except where indicated)

August 31, 2010

1. Significant Accounting policies

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, 2010, 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.

2. Accounts Receivable

	August 31, 2010 (\$)	May 31, 2010 (\$)
Tax receivables	1,464	2,066
Other receivables	358	285
	1,822	2,351

Tax receivables consist of refunds for Canadian GST and HST and Uruguayan Value Added Tax (VAT). Receivables include expenses to be reimbursed by farm-out partners, suppliers and miscellaneous asset sales.

3. Inventories

	August 31, 2010 (\$)	May 31, 2010 (\$)
Finished metals	570	886
Ore in stockpiles	5,432	6,461
Gold in circuit	1,042	1,529
Materials and supplies	8,583	9,214
	15,627	18,090

Orosur Mining Inc.
Notes to Consolidated Interim Financial Statements
Unaudited

(Thousands of United States Dollars, except where indicated)

August 31, 2010

4. Property, Plant and Equipment and Mineral Properties

	August 31, 2010 (\$)		
	Cost	Accumulated amortization and Depletion	Net Book Value
Land and lease rights	1,691	0	1,691
Plant and equipment	35,084	27,436	7,648
Mineral properties	40,038	30,453	9,585
	76,813	57,889	18,924
	May 31, 2010 (\$)		
	Cost	Accumulated amortization and Depletion	Net Book Value
Land and lease rights	1,691	0	1,691
Plant and equipment	34,516	26,238	8,278
Mineral properties	38,976	30,188	8,788
	75,183	56,426	18,757

- (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 \$ 1,135 (May 2010 - \$ 1,333) of major spare parts that are amortized on a straight line basis over a period of between 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) Mineral properties include the expenditure incurred for the development of Arenal Deepes (\$ 4,517), the side and deep extensions of the San Gregorio mine (\$ 1,438) and resource definition work for Zapucay and other minor veins (\$ 2,833).

Orosur Mining Inc.
Notes to Consolidated Interim Financial Statements
Unaudited

(Thousands of United States Dollars, except where indicated)

August 31, 2010

5. Deferred Exploration

	For the three months ended August 31, 2010 (\$)	For the financial year ended May 31, 2010 (\$)
Balance at beginning of the period	24,850	12,437
Cash payments for exploration expenditure	2,255	8,317
Acquisition of Fortune Valley	0	10,934
Reclassification to mineral properties	(661)	(6,224)
Exploration expenses written off	0	(614)
Balance at end of the period	26,444	24,850

(a) Exploration agreements and acquisitions:

Farm-in and farm-out agreements, acquisitions rights and obligations and other exploration commitments are disclosed in the notes to the Company's audited annual Financial Statements for the year ended May 31, 2010, with the exception of the following agreements that have been entered into during the quarter:

- On June 2010, the Company entered into an Option Agreement with Minerales Cala S.A. ("Minerales Cala") which provides Minerales Cala the right to earn up to 80% interest on the Company's Chamizo gold project in Southern Uruguay. Minerales Cala is committed to spend \$ 150 in exploration work within a period of twenty four months to earn 51% interest in the project. Subsequently, Minerales Cala will have the right to earn a further 29% by incurring in a further \$ 350 in exploration expenditure. After Minerales Cala has completed \$ 500 expenditure and consequently has earned 80% interest, the Company will have the option to contribute its 20% proportionate share of expenditure. Should the Company choose not to contribute, dilution shall apply and if the Company's interest fall below 10%, its interest will convert to a Net Smelter Royalty of 2%.
- On May 2010 Gladiator Resources Limited ("Gladiator") exercised its Option Agreement with the Company 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 subject to the execution of a Definitive Agreement detailing the farm-in joint venture arrangements. The Definitive Agreement has been executed during the quarter and accordingly the Company received shares of Gladiator with a market value of Australian Dollars 100,000 calculated using the average trading price of the shares over the preceding five day trading period.

(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 August 31, 2010 to support exploration activities on tenements granted were \$ 3,530 (August 2009 - \$ 3,658).

Orosur Mining Inc.
Notes to Consolidated Interim Financial Statements
Unaudited

(Thousands of United States Dollars, except where indicated)

August 31, 2010

6. Equity Instruments

(a) 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. Options vest lineally over a three year period starting at the time they are granted.

For the quarter ended August 31, 2010, 125,000 options were granted and \$ 59 of compensation expense was recorded (August 31, 2009 no options were granted and \$ 94 was recorded). At August 31, 2010 the aggregate unamortized fair value of unvested stock options granted amounted to \$ 91 (August 31 2009 - \$ 187).

At August 31, 2010 there were 2,874,850 (May 2010– 2,749,850) options outstanding, of which 1,924,183 are exercisable (May 2010– 1,882,750). The weighted average exercise price of the options outstanding at August 31, 2010 is CDN\$ 2.00 (May 31, 2010 CDN\$ 2.04).

The following table summarizes information regarding the Company's outstanding options as at August 31, 2010:

	Number of Shares (000's)	Option Price per Share Range CDN \$	Weighted Average Exercise Price CDN \$
Balance at May 31, 2010	2,750	\$0.38 - \$5.50	\$2.04
Granted	125	\$ 0.40	\$ 0.40
Balance at August 31, 2010	2,875	\$0.38 - \$5.50	\$ 2.00

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 \$
305	0.00 - 0.40	0.40	4.53	112	0.40
646	0.41 – 0.60	0.60	3.13	430	0.60
733	0.61 – 1.00	0.67	3.74	320	0.75
847	1.00 – 4.00	3.57	1.70	718	3.63
344	4.01 – 5.50	4.72	0.24	344	4.72
2,875	0.00 – 5.50	2.00	2.67	1,924	2.48

Orosur Mining Inc.
Notes to Consolidated Interim Financial Statements
Unaudited

(Thousands of United States Dollars, except where indicated)

August 31, 2010

7. 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 and the exploration segment is devoted to exploration of mineral properties in Uruguay and Chile and evaluation of acquisition throughout Latin America. Precious metals are refined and sold in Europe through one refinery.

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
For three months ended August 31, 2010					
Net Sales	18,213	0	0	0	18,213
Amortization and depletion	(1,289)	(191)	0	0	(1,480)
Net interest and debt accretion	(15)	0	0	0	(15)
Income tax provision	(533)	0	0	0	(533)
Net income (loss)	4,666	(827)	34	(363)	3,510
Capital Expenditure	917	1,459	873	0	3,249
As at August 31 2010					
Property, plant and equipment and mineral properties	18,417	434	73	0	18,924
Deferred exploration	0	12,672	13,772	0	26,444
	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
For three months ended August 31, 2009					
Net Sales	12,498	0	0	0	12,498
Amortization and depletion	(2,470)	(123)	0	0	(2,593)
Net interest and debt accretion	(71)	0	0	0	(71)
Income tax recovery	8	0	0	0	8
Net loss	(1,129)	(677)	0	(352)	(2,158)
Capital Expenditure	2,296	1,680	0	0	3,976
As at May 31 2010					
Property, plant and equipment and mineral properties	18,299	458	0	0	18,757
Deferred exploration	0	11,874	12,976	0	24,850

Orosur Mining Inc.
Notes to Consolidated Interim Financial Statements
Unaudited

(Thousands of United States Dollars, except where indicated)

August 31, 2010

8. Statements of Cash Flows

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

	Three months ended	
	August 31	August 31
	2010 (\$)	2009 (\$)
Prepaid expenses	61	96
Accounts receivable	529	(387)
Accounts payable and accrued liabilities	(3,156)	1,514
Inventories	2,463	1,406
Net change in non-cash working capital balances	(103)	2,629

(b) Other information

	Three months ended	
	August 31	August 31
	2010 (\$)	2009 (\$)
Cash interest paid	5	2
Cash taxes paid	0	0

9. 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 discretionally uses financial derivatives to mitigate the risk of gold price fluctuations.

During May 2010, the Company committed to a put option contract for 14,000 ounces for the period June – August 2010, at a strike price (minimum guaranteed) of \$ 1,165 per ounce for a consideration premium of \$ 212.

(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.

August 31, 2010

10. Financial Instruments – continued

Cash balances are held principally in US dollars, while its expenses are incurred in Uruguay and Chilean 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 and Chilean inflationary impact on the peso expenses increases at more than the depreciation of the Uruguay and Chilean 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 and Chilean 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) Interest rate risk: The majority of the Company's debt is non interest bearing
- (e) 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.
- (f) 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 raises 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.
- (g) Insurance

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

Orosur Mining Inc.
Notes to Consolidated Interim Financial Statements
Unaudited

(Thousands of United States Dollars, except where indicated)

August 31, 2010

11. Basic & Diluted earnings (loss) per share

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

	August 31, 2010 (\$)	August 31, 2009 (\$)
Basic earnings (loss) per share		
Numerator		
Net earnings (loss) available to shareholders	3,510	(2,158)
Denominator		
Weighted average shares outstanding	64,795,426	48,667,068
Basic earnings (loss) per share (cents per share)	0.05	(0.04)
	August 31, 2010 (\$)	August 31, 2009 (\$)
Diluted earnings (loss) per share		
Numerator		
Net earnings (loss) available to shareholders	3,510	(2,158)
Denominator		
Weighted average shares outstanding	64,795,426	48,667,068
Potential net incremental issue of shares from stock options	0	0
Shares outstanding plus assumed conversions	64,795,426	48,667,068
Diluted earnings (loss) per share (cents per share)	0.05	(0.04)

Basic earnings 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 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 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 quarter ended August 31, 2010 was CDN\$ 0.31 (August 31, 2009 - CDN\$ 0.36).