

Orosur Mining Inc.
Condensed Interim Consolidated Financial Statements
For the three and six month periods ended November 30, 2011
(Unaudited)

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Orosur Mining Inc.
Condensed Interim Consolidated Statement of Financial Position
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	As at	
	November 30, 2011	May 31, 2011 <small>(Restated Note 18)</small>
	\$	\$
Assets		
Current assets		
Cash	17,054	14,178
Amounts receivable (Note 5)	2,099	2,473
Inventories (Note 6)	17,509	17,363
Prepaid expenses	1,144	1,074
Debenture receivable (Note 5)	1,000	0
Short term investments	90	90
Total current assets	38,896	35,178
Property plant and equipment and mineral properties (Note 7)	47,656	29,836
Deferred exploration (Note 8)	30,114	23,888
Deferred income tax assets (Note 15)	5,525	5,148
Restricted cash	269	223
Total non-current assets	83,564	59,095
Total Assets	122,460	94,273
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	15,432	12,362
Current portion of long term debt (Note 11)	728	14
Total current liabilities	16,160	12,376
Long term debt (Note 11)	5,221	0
Rehabilitation provisions (Note 9)	2,833	3,474
Total non-current liabilities	8,054	3,474
Total liabilities	24,214	15,850
Capital stock (Note 12)	55,048	42,692
Broker warrants	276	0
Contributed surplus	5,352	5,138
Retained earnings	37,570	30,593
Total shareholders' equity	98,246	78,423
Total liabilities and shareholders' equity	122,460	94,273

Approved by the Board of Directors

"Mario Caron" Director

"Julio Porteiro" Director

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

Orosur Mining Inc.
Condensed Interim Consolidated Statements of Income and comprehensive income
(Unaudited)

(Thousands of United States Dollars, except for earnings per share and weighted average number of shares outstanding)

	Three months ended November 30		Six months ended November 30	
	2011	2010 <small>Restated Note 18</small>	2011	2010 <small>Restated Note 18</small>
	\$	\$	\$	\$
Sales	20,985	16,584	42,011	34,797
Cost of sales	(15,753)	(11,948)	(30,737)	(25,121)
	5,232	4,636	11,274	9,676
Other income (expenses)				
Derivative loss	0	0	0	(212)
Exploration expenses (Note 8)	(260)	(84)	(722)	(592)
General and administrative expense	(1,296)	(1,388)	(2,477)	(2,178)
Interest expense and rehabilitation accretion	(60)	(4)	(90)	(10)
Foreign exchange gain	95	(109)	138	151
Other income	624	131	742	406
	(897)	(1,454)	(2,409)	(2,435)
Income before taxes	4,335	3,182	8,865	7,241
Provision for income taxes (Note 15)	(1,770)	(398)	(1,888)	(931)
Net and comprehensive income for the period attributable to parent	2,565	2,784	6,977	6,310
Earnings per common share attributable to parent				
Basic and diluted (Note 13)	0.03	0.04	0.09	0.10
Weighted average shares outstanding				
Basic	77,820,595	64,945,192	77,780,792	64,870,309
Diluted	78,684,014	65,068,321	78,776,633	64,953,339

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

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

(Thousands of United States Dollars, except where indicated)

	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Operating activities				
Net income for the period	2,565	2,784	6,977	6,310
Adjustments for:				
Depreciation	1,990	2,135	3,990	3,615
Accretion of rehabilitation provision	13	13	26	27
Deferred Income taxes	597	(150)	(377)	266
Stock based compensation	90	313	216	365
Assets sales	(562)	0	(562)	0
Others	(42)	5	(47)	(73)
	<u>4,651</u>	<u>5,100</u>	<u>10,223</u>	<u>10,510</u>
Net change in non-cash working capital balances (Note 10)	4,674	1,426	3,228	1,323
	<u>9,325</u>	<u>6,526</u>	<u>13,451</u>	<u>11,833</u>
Financing activities				
Proceeds from the issue of share capital	4	127	12,380	127
Loans granted	0	0	(1,000)	0
Loans received	1,235	0	5,080	0
Debt payment	(15)	(6)	(27)	(9)
	<u>1,224</u>	<u>121</u>	<u>16,433</u>	<u>118</u>
Investing activities				
Purchase of property, plant and equipment and development costs	(10,632)	(1,592)	(19,543)	(2,586)
Assets sales	1,366	0	1,366	0
Exploration expenditure	(4,515)	(1,862)	(8,831)	(4,117)
	<u>(13,781)</u>	<u>(3,454)</u>	<u>(27,008)</u>	<u>(6,703)</u>
Increase (Decrease) in cash	(3,232)	3,193	2,876	5,248
Cash at the beginning of period	<u>20,286</u>	<u>10,746</u>	<u>14,178</u>	<u>8,691</u>
Cash at the end of period	<u>17,054</u>	<u>13,939</u>	<u>17,054</u>	<u>13,939</u>

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

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

(Thousands of United States Dollars, except where indicated)

	Three months ended November 30,		Six months ended November 30,	
	2011	2010 <small>Restated Note 18</small>	2011	2010 <small>Restated Note 18</small>
	\$	\$	\$	\$
Common shares				
Balance at beginning of period	55,068	42,344	42,692	42,344
Private placement (Note 12)	(276)	0	12,085	0
Finder's fee for Talca acquisition (Note 12)	250	0	250	0
Exercise of stock options	6	208	21	208
Balance at end of period	<u>55,048</u>	<u>42,552</u>	<u>55,048</u>	<u>42,552</u>
Broker Warrants				
Balance at beginning of period	0	0	0	0
Commission on private placement (Note 12)	276	0	276	0
Balance at end of period	<u>276</u>	<u>0</u>	<u>276</u>	<u>0</u>
Contributed surplus				
Balance at beginning of period	5,264	4,684	5,138	4,632
Transfer to common shares	(2)	0	(2)	0
Employee stock based compensation recognized	90	232	216	284
Balance at end of period	<u>5,352</u>	<u>4,916</u>	<u>5,352</u>	<u>4,916</u>
Retained earnings				
Balance at beginning of period	35,005	18,020	30,593	14,494
Net income for the period	2,565	2,784	6,977	6,310
Balance at end of period	<u>37,570</u>	<u>20,804</u>	<u>37,570</u>	<u>20,804</u>
Shareholders' equity at end of period	<u>98,246</u>	<u>68,272</u>	<u>98,246</u>	<u>68,272</u>

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

Orosur Mining Inc.
Selected explanatory notes to Interim Consolidated Financial Statements
(Unaudited)

(Thousands of United States Dollars, except where indicated)

For the three and six months ended November 30, 2011 and 2010

1. Nature of operations

Orosur Mining Inc. ("Orosur or the Company") is a gold producer and exploration company focused on identifying and developing mineral opportunities either directly or through earn-in agreements. .

Orosur is governed by the corporate laws of the Yukon Territory. The Company's shares are listed on the TSX Venture Exchange in Canada and the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom. The Company's corporate office is located at Avenida Cerro Colorado 5240, suite 602, Torres Las Condes, Santiago de Chile.

Orosur operates in Uruguay and Chile. In Uruguay the Company operates the San Gregorio gold operations, has land holdings with active near mine and regional exploration programs and has entered into contractual arrangements with third parties to develop iron ore, base metals and diamond projects on its mining tenements. In Chile the Company has optioned exploration properties from third parties: Anillo, Pantanillo and Talca.

The Company's interim consolidated financial statements include Orosur's subsidiary companies (together referred as the "Company"). The Company interests in these entities include:

International Mining Holdings Limited (Barbados)	100% owned
Loryser S.A. (Uruguay)	100% owned
Minera San Gregorio S.A. (Uruguay)	100% owned
Cinco Ríos S.A. (Uruguay)	100% owned
Nafypel S.A. (Uruguay)	100% owned
Triselco S.A. (Uruguay)	100% owned
Kevelux S.A. (Uruguay)	100% owned
Glendora S.A. (Uruguay)	100% owned
Dalván S.A. (Uruguay)	100% owned
Bolir S.A. (Uruguay)	100% owned
Brimol S.A. (Uruguay)	100% owned
Montemura S.A. (Uruguay)	100% owned
Fortune Valley Resources Inc. (Canada)	100% owned
Fortune Valley Resources Inc. BVI (BVI)	100% owned
Fortune Valley Resources Chile S.A.	100% owned

2. Basis of preparation and first time adoption of International Financial Reporting Standards (IFRS)

The Company prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS as issued by the International Accounting Standards Board ("IASB"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these condensed interim consolidated financial statements for the three and six months period ended November 30, 2011 have been prepared by the Company on an IFRS basis and represent part of the period covered by the Company's first IFRS annual audited financial statements to be issued for the financial year to end May 31, 2012. In the financial statements, the term CGAAP refers to Canadian GAAP before the adoption of IFRS.

Orosur Mining Inc.
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For the three and six months ended November 30, 2011 and 2010

2. Basis of preparation and first time adoption of International Financial Reporting Standards (IFRS) - continued

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position as at June 1, 2010, for the purpose of the transition. Note 18 explains the principal adjustments made to the Company's consolidated balance sheet as at June 1, 2010 previously prepared in accordance with CGAAP and its previously published CGAAP consolidated financial statements for the three and six months ended November 30, 2010 and the year ended May 31, 2011

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim financial reporting" that specifies the minimum content, accounting recognition and measurement principles applicable to an interim financial report. As a consequence, these unaudited condensed interim statements do not include all mandatory annual disclosures in accordance with IFRS, but selected explanatory material.

These unaudited condensed interim financial statements are also prepared in accordance with IFRS 1 "First time adoption of IFRS", a standard that provides guidance for an entity's initial adoption of IFRS. IFRS 1 aims to ensure that the information in an entity's first IFRS financial statements and interim reports is transparent and comparable over all periods presented. IFRS 1 requires accounting policies under IFRS to be applied retrospectively to determine the opening balance sheet of the Company as of the transition date of June 1, 2010 with certain mandatory exceptions and elective exemptions which require or allow a different basis of application.

The accounting policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of January 10, 2012, the date the Board of Directors approved these statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending May 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's CGAAP consolidated financial statements for the year ended May 31, 2011. Note 18 disclose IFRS adjustments made to this previously published CGAAP consolidated financial statements for the year ended May 31, 2011.

3. Significant Accounting Policies

The preparation of interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Consolidation: The interim consolidated financial statements include the accounts of the Company and its controlled subsidiaries from their respective dates of acquisition. All inter-company transactions have been eliminated.

Orosur Mining Inc.
Selected explanatory notes to Interim Consolidated Financial Statements
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For the three and six months ended November 30, 2011 and 2010

(b)

3. Significant Accounting Policies - continued

(c) Reporting currency and foreign currency translation: The Company has adopted the United States Dollar as its functional and reporting currencies. The Company translates foreign currencies into the functional currency on the following basis:

- Non-monetary assets and liabilities using historical rates;
- Monetary assets and liabilities using period end rates; and
- Income and expenses are translated at average rates of exchange during the period.

Gains and losses arising from the translation of foreign currency balances into United States dollars and from foreign currency transactions are recorded in income.

(c) Cash and equivalents: Cash and equivalents consist of cash in bank, deposits held at call with banks and other short term highly liquid investments with original maturity dates of three months or less.

(d) Property, plant and equipment and mineral properties: Property, plant and equipment is recorded at cost less accumulated amortization. Plant and other equipment are amortized on a straight line basis over the estimated productive life of the asset. Productive lives for mobile and other equipment range from 2 to 5 years. Mineral properties include:

- Development costs incurred to bring a mining property into production, develop new ore bodies or develop mining areas in advance of production, including stripping cost in a pre-production phase. Development costs are capitalized when a mine plan has been prepared, proven and probable reserves have been established, and the Company has decided to commercially develop the property. Development expenditure is accumulated separately for each area in which economically recoverable mineral resources have been identified and are reasonably assured.
- Deferred exploration once mineral resources have been identified in the property and incorporated to the Company's resource statements.

No amortization is provided in respect of mineral properties until commencement of commercial production. Mineral properties are amortized and charged to operations using the units of production method based on the estimated life of mine considering recoverable proven and probable reserves. All expenditures incurred prior to the commencement of commercial levels of production from each development property are capitalized to the extent to which recoverable from cash flows to be derived from the sale of production is reasonably assured. Amounts shown as development costs are net of revenue earned prior to commercial production.

(e) Impairment of assets: The Company reviews its mining assets when circumstances or events indicate that impairment may exist. Where such circumstances are identified, the Company estimates future cash flows from those assets and compares this amount with the carrying value. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset or Cash Generating Unit ("CGU") and its value in use. This is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into CGUs for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or asset groups.

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3. Significant Accounting Policies - continued

Estimated future cash-flows includes estimates of recoverable resources and commodity prices (considering historical prices, price trends and related factors) and estimated production related expenses discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Estimates of future net cash flows are based on ore reserves and mineral resources for which there is a high degree of confidence of economic extraction.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets or CGU's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset or CGU in prior years. Management has assessed its CGU as being an individual mining or processing site, which is the lowest level for which cash inflows are largely independent of those of other assets.

(f) Deferred exploration: Exploration and evaluation expenditure is capitalized under areas of interest defined by the Company and carried forward as an asset until management has made a positive decision to develop the project or written down when events or changes in circumstances indicate that its carrying amount may not be recoverable. The excess of carrying value over fair value is charged to income. When mineral resources are to develop the area of interest exploration and evaluation expenditures are reclassified and shown as a Mineral Property asset.

Expenditure to be capitalized includes direct cost attributable to the exploration and evaluation projects, such as topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching and sampling and of the acquisition of rights to explore. Overhead costs that are directly attributable to exploration and evaluation activities, but not directly attributable to an individual project or area, such as general advisory, the cost of a central exploration office or the cost of a mining tenements office are allocated to areas of interest and capitalized. Borrowing costs derived from the exploration and evaluation activities financing, exchange differences related to monetary assets and liabilities associated to the exploration activities and depreciation of property, plant and equipment used in the exploration activities are not capitalized and recognized as expenses as they are incurred.

The recoverability of amounts shown for deferred exploration and evaluation is dependent upon the discovery of economically recoverable reserves. The exploration assets are reassessed on a regular basis for impairment. An impairment of an exploration asset occurs when at least one the following conditions are met:

- the Company's right to explore in an area of interest has expired or will expire in the near future and is not expected to be renewed;
- the Company has strategically decided to discontinue activities in the area of interest;
- substantive exploration expenditure on further exploration in the area of interest is neither budgeted nor planned in the near future and no negotiations to sell the project or farm it out are planned or considerably advanced;

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3. Significant Accounting Policies - continued

The exploration asset is written off in the period it is considered impaired under the criteria outlined above.

(g) Inventories: Inventories include supplies and materials, ore stockpiles, gold in circuit and finished goods, and are measured at the lower of cost or net realizable value.

Materials and supplies include consumable stores and spare parts used in operations. Appropriate allowances for damage, obsolescence and slow moving items are recorded based on an identification process. Spare parts include spares that are regularly replaced, usually as part of a replacement programme (circulating spares). However, major spare parts on hand to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure and stand-by equipment are accounted for as property, plant and equipment and depreciated over the same period as the component they are associated with.

Ore stockpiles are comprised of coarse ore that has been extracted from the mine and is available for processing. Stockpiles are valued at the lower of average cost or net realizable value with quantities determined through physical measurement and grade determined through assay testing. Ore with a marginal cutoff grade is stockpiled for potential future processing but is carried at zero value.

Gold in circuit represent materials that are currently being converted to a saleable product and are measured based on assays of the material fed to the processing plants and expected recoveries. Value of the inventory is at the lower of average cost and net realizable value.

Finished metal inventories include gold and silver dore bullions before refining, and finished gold and silver ingots, and are valued at average production cost and are not marked to market. Average production cost represents the average cost of in process inventories prior to the refining process and any relevant refining costs. Sales and refining costs are not part of the cost of inventories.

Cost of inventories are determined using the absorption method which includes all the costs of purchase and conversion, including costs that are directly related to production and an allocation of fixed and variable production overheads, including depreciation of mine properties and of property, plant and equipment used in mining and processing the ore.

(h) Deferred income taxes: The Company uses the assets and liability method to account for deferred income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and calculated using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that is more likely than not that losses available for carry forward will be used to offset deferred income taxes. The effect on deferred income tax assets and liabilities of a change in rates is included in the period during which the change is substantively enacted.

(i) Rehabilitation provisions: Rehabilitation provisions include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas.

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3. Significant Accounting Policies - continued

The estimated fair value of rehabilitation provisions is provided for in the accounting period when the legal or constructive obligation arising from the related disturbance occurs. A technique based on the net present value of estimated future costs is used to estimate the fair value of the liability discounted at the risk free nominal discount rates that are specific to the country in which the operation is located. Rehabilitation provisions are a normal consequence of mining, and the majority of close down and restoration expenditure is spent at the end of the life of the mine. Costs are annually estimated on the basis of a closure plan to reflect known developments, update costs estimates and revise estimated lives of operations, and are subject to formal reviews at regular intervals. Although the ultimate cost to be incurred is uncertain, the Company's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques and industry guidelines, on a site by site basis.

Upon initial recognition of a liability for a rehabilitation provision, obligation rehabilitation provision is capitalized by the same amount of the liability within property, plant and equipment. The rehabilitation provision is expensed using a systematic and rational method over its useful life, mostly the unit of production method based on estimated proven and probable reserves as determined by independent engineers, and is included as an operation cost. In subsequent periods, the Company recognizes the changes in the liability for obligation rehabilitation provision resulting from the passage of time, the revisions to either the timing or amount of the original estimate of undiscounted cash flows and changes in discount rates.

Changes resulting from revisions to the timing or the amount of the original undiscounted cash flows are recognized as an increase or decrease in the carrying amount of the liability for a rehabilitation provision against the related cost capitalized as part of the carrying amount of the related long-lived asset.

Changes due to the passage of time, meaning the "unwinding" of the discount applied in establishing the net present value of the liability, is charged to the income statement in each accounting period.

As noted above, the ultimate cost of the close down and restoration is uncertain and costs estimated can vary in response to many factors including changes to the relevant legal or constructive requirements, the emergence of new restoration techniques or experiences at other mine sites. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration which would affect future financial results.

(j) Revenue recognition: Revenue from mining operations is recognized after shipment of gold to third party refineries, when the sales price is determinable, title has passed to the customer and collection of the sale is reasonably assured.

(k) Stock-based compensation plan: The Company has a stock-based compensation plan and recognizes compensation expense for option awards. Compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized over the vesting period with a corresponding increase to contributed surplus. Upon exercise, the proceeds of the options are credited to capital stock at the option price and the fair value of the options, as previously recorded, is reclassified from contributed surplus to capital stock.

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3. Significant Accounting Policies - continued

(l) Earnings per share: Basic earnings per common share are computed by dividing the net profit by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution effect of "in the money" securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine diluted per share amount which assumes that all outstanding stock options grants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common share at the average market price during the year.

(m) Financial Instruments: Financial assets and financial liabilities are recognized initially at fair value.

After initial recognition the Company measures its financial assets and financial liabilities depending on the following classifications.

- Held-for-trading financial assets are carried at fair value with changes in fair value charged or credited to the statement of operations in the period in which they arise.
- Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.
- Loans and receivables are initially recognized at their fair values, and subsequently measured at amortized cost using the effective interest rate method. Impairment losses are charged to net earnings in the period in which they arise.
- Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses relating to other than temporary impairments are charged to net earnings in the period in which they arise.
- Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method.
- All derivative financial instruments meeting certain recognition criteria are carried at fair value with changes in fair value charged or credited to income or expense in the period in which they arise.

The following is a summary of the accounting model the Company has elected to apply to each category of financial instruments:

Cash and cash equivalents	Loans and receivables
Amounts receivable	Loans and receivables
Debentures	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Debt	Other financial liabilities
Short term investments	Available-for-sale

4. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

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4. Critical accounting estimates and judgments – continued

i) Economic lives of mining assets and recoverable value

The economic lives of the Company's mining operation and development assets is based upon the individual mine's mineral reserves. The Company's resources and reserves are calculated in accordance with mining standards and in compliance with National Instrument 43-101 Standards of disclosure for Mineral projects ("NI 43-101"). The Company reviews and re-evaluates the estimated future discounted net cash flows of its mines and development properties on a regular basis, to ensure that they exceed the carrying value for each property. These calculations rely on estimated reserves and/or resources, estimated future commodity price and production cost.

ii) Inventory

The value assigned to ore stockpiles, in process inventories and finished metal inventories are based on estimated volumes and grades. Volume and grade estimates are made relying on assays and other sampling tests.

iii) Rehabilitation provisions

The fair value of the liability is determined based on the net present value of estimated future costs estimated by management based on feasibility and engineering studies on a site by site basis. While care was taken to estimate the retirement obligations, these amounts are estimates of expenditures that are not due until future years;

iv) Share based compensation

The Company uses the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipated life of the option and the volatility of the company's share price;

v) Net deferred income tax assets and liabilities

Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the carrying amount of deferred income taxes;

vi) Exploration and evaluation expenditure

The recoverability of amounts shown for capitalized exploration and evaluation expenditure is dependant upon the discovery of economically recoverable reserves.

5. Amounts receivables, debentures and accounts payable and accrued liabilities

(i) Amounts receivable	November 30,	May 31,
	2011 (\$)	2011 (\$)
Tax receivables	646	339
Miscellaneous receivable	1,453	2,134
Total receivables	2,099	2,473

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5. Amounts receivable, debentures and accounts payable and accrued liabilities – continued

Miscellaneous receivable consist of expenses to be reimbursed by farm-out partners and suppliers, services provided to third parties and assets sales receivables. Tax receivables consist of refunds to be collected for Uruguayan Value Added Tax and Canadian Harmonized Sales Tax.

(ii) Debentures	November 30,	May 31,
	2011 (\$)	2011 (\$)
Loan to unrelated exploration Company	1,000	0
Total debentures	1,000	0

On July 2011, the Company loaned an unrelated exploration Company incorporated in England and Wales, a \$1,000 loan facility to be on-loan to its Brazilian subsidiary to fund working capital needs in its gold project. The loan facility has been secured in a debenture and bears interest at the rate of 6% per annum to be capitalized on a monthly basis and shall be payable by July 2012.

(ii) Accounts payable and accrued liabilities	November 30,	May 31,
	2011 (\$)	2011 (\$)
Commercial suppliers	10,936	8,163
Salaries, labour benefits and social security contributions	2,407	3,307
Income tax, mining royalties and other taxes	2,089	892
Total accounts payable and accrued liabilities	15,432	12,362

6. Inventories

	November 30,	May 31,
	2011 (\$)	2011 (\$)
Ore in stockpiles	3,357	5,013
Gold in circuit	1,011	2,199
Dore	2,215	669
Materials and supplies	10,926	9,482
	17,509	17,363

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7. Property, Plant and Equipment and Mineral Properties

	Land and lease rights	Other fixed assets	Asset retirement obligation	Mineral properties	Total
Cost					
Balance May 31, 2011	1,691	42,978	3,850	47,006	95,525
Additions	0	12,328	0	6,547	18,875
Reclassification from Deferred exploration	0	0	0	3,739	3,739
Disposals	(804)	(317)	0	0	(1,121)
Balance November 30, 2011	887	54,989	3,850	57,292	117,018
Accumulated depreciation					
Balance May 31, 2011	128	29,777	2,638	33,146	65,689
Depreciation for the period	36	2,727	101	1,126	3,990
Disposals	0	(317)	0	0	(317)
Balance November 30, 2011	164	32,187	2,739	34,272	69,362
Carrying amount					
At May 31, 2011	1,563	13,201	1,212	13,860	29,836
At November 30, 2011	723	22,802	1,111	23,020	47,656

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7. Property, Plant and Equipment and Mineral Properties – continued

- (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 \$1,152 (May 31, 2011 - \$1,063) 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 underground mine (\$14,889), the side and deep extensions of the San Gregorio mine (\$1,578) and resource definition work for Zapucay pit and other minor veins (\$6,553).

8. Deferred Exploration

	For the six months ended November 30, 2011 (\$)	For the year ended May 31, 2011 (\$)
Balance at beginning of the period	23,888	23,076
Cash payments for exploration expenditure	6,263	11,284
Cash payments to acquire rights to explore	2,570	0
Committed payments to acquire rights to explore	882	0
Exploration payments with shares	250	0
Reclassification to mineral properties	(3,739)	(3,561)
Exploration expenses written off	0	(6,911)
Balance at end of the period	30,114	23,888

(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 annual Financial Statements for the year ended May 31, 2011, with the exception of the following agreements that have been entered into during the six month period ended November 30, 2011:

Talca acquisition: On August 26, 2011 the Company executed agreements with Compañía Minera Demetrio Tello and other related persons ("the Vendors") to acquire 100% interest in the Talca gold property located in Chile. The Talca assets comprise a number of mining licenses, land and land easements each held by members of the Tello family or in separate private limited companies each incorporated in Chile related to the Tello family.

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8. Deferred Exploration – continued

By the agreement executed, in summary:

i) As a pre-acquisition step, the Vendors agreed with the Company to incorporate new special purpose vehicles (Sociedades Contractuales Mineras Talca and Talca Dos or “SCM”), Chilean private corporations to act as holding companies for the mining licenses. The Company has agreed with the Vendors to acquire 25% of the issued share capital of SCM for consideration of \$3,390, to acquire 25% rights of a piece of land where the facilities may be located for consideration of \$250 and easements over the rest of the property owned by Tello family for consideration of \$200, for total consideration of \$3,840.

The acquisition for the 25% of the shares has been accounted as an asset purchase at its cost, and not as a business combination as stated by IFRS 3, as the assets acquired did not meet the definition of a business, that is, an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.

As of November 30, 2011, the total cost recognized for the 25% of the issued share capital of SCM acquired is the cash consideration paid of \$2,480, plus the net present value of the deferred payments due of \$910 discounted at a 4.5% rate and which will be paid in sixteen equal monthly installments starting January 6, 2012. The \$250 and \$200 consideration for the 25% rights of land and easements are due once the registration of transfer of legal rights over the land and the granting of the public deed containing the easement, respectively.

ii) The Company has also acquired the 25% of the issued and outstanding shares of Sociedad Legal Minera (“SLM”), a Chilean corporation that hold mining rights adjacent to the Talca properties, and the mining rights for the property called “Vista Hermosa” also close to Talca properties, all assets owned by members of the Tello’s family. The acquisition was settled by a cash consideration of \$50 and \$40 respectively. The Company has also the irrevocable option to purchase the remaining 75% SLM for a consideration of \$250 plus a 1% net smelter return respectively.

iii) The Company has also agreed with the Vendors an exclusive and irrevocable option to acquire, at its discretion, the remaining 75% of the issued share capital of the SCM over a period of 5 years from the date of the Acquisition Agreement for a consideration of \$3,030 to be paid within 24 months upon accepting the option, and acquire the balance 75% rights of the piece of land for consideration of \$750 to be paid upon execution of the relevant purchase agreement. If the Company exercises the Option the Tello’s family will be entitled to a 1% net smelter royalty on production from the “Talca” properties.

(b) Exploration projects evaluation and resource definition work:

Capitalized exploration expenditures of \$3,739 were reclassified as an intangible asset under Mineral Properties as they were related to areas in which a mineral reserve was determined. Exploration expenditures incurred during the three and six months period ended November 30, 2011 to evaluate the acquisition of mineral projects prior to obtaining an exploration license (pre-exploration expenses) were expensed together with expenditures incurred in maintaining permits for strategically reasons that have no associated exploration work for a total amount of \$260 and \$722, respectively.

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8. Deferred Exploration – continued

(c) 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 November 30, 2011 to support exploration activities on tenements granted were \$3,284 (November 30, 2010 - \$4,007).

9. Rehabilitation provisions

The Company's rehabilitation provisions relates to the retirement and remediation of the San Gregorio Operation in Uruguay.

The rehabilitation provisions have been recorded as a liability at estimated fair value determined by calculating the net present value of estimated future costs, assuming a risk free bond rate of 1.5% (May 31, 2011 – 1.5%) and an inflation factor of 2.2% (2011 – 2.2%).

The following table summarizes the movements in the rehabilitation provisions:

	For the period ended November 30, 2011	For the year ended May 31, 2011
	(\$)	(\$)
Balance at beginning of period	3,474	3,544
Changes in cash flow estimates	0	1,242
Expenditure incurred in rehabilitation	(667)	(1,365)
Accretion expense	26	53
Balance at end of period	2,833	3,474

During the quarter the Company continued rehabilitation work related to the San Gregorio's operation in Uruguay performing the closure of certain cells of the existing tailings dam facilities and continues the construction of a new tailing dam facility to support its future operations in the expected life of mine. The Company revises the rehabilitation obligation estimations on an annual basis.

Uruguayan mining and environmental legislation requires environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of \$1,500 (2011 - \$1,500) has been provided by HSBC Bank (Uruguay) S.A.

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10. Statements of Cash Flows

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

	Three months ended November 30,		Six months ended November 30,	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Prepaid expenses	130	170	(70)	231
Accounts receivable	(532)	549	374	1,078
Accounts payable and accrued liabilities	5,444	1,209	3,070	(1,947)
Inventories	(368)	(502)	(146)	1,961
Net change in non-cash working capital balances	4,674	1,426	3,228	1,323

(b) Other information

	Three months ended November 30,		Six months ended November 30,	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Cash interest paid	51	1	63	6
Cash taxes paid	0	0	0	0

11. Long term debt

	As of November 30,	As of May 31,
	2011 (\$)	2011 (\$)
HSBC loan (a)	4,944	0
Deferred payment on Talca acquisition (b)	882	0
Finance lease (c)	123	14
	5,949	14
Less current portion	(728)	(14)
	5,221	0

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11. Long term debt – continued

- (a) In March 2011, Loryser S.A., a Uruguayan subsidiary of the Company, entered into a Line of Credit Facility with HSBC Bank (Uruguay) S.A. for \$5,500. As of November 30, 2011, the Company has withdrawn the amount of \$4,944 and can draw down the remainder of \$556 up until March 15, 2012. Amounts withdrawn bear an interest of LIBOR plus 3.25%, with a minimum 4.50% rate payable by semester. Capital will start to be settled in four by annual installments, the first one due March 15, 2013. A commitment commission of 1.25% applies quarterly over the amount of the Facility that is not withdrawn up until March 15, 2012. As security for the use of the HSBC credit facility stated in Note 8, the Company has pledged certain equipment.
- (b) In July 2011, the Company signed a lease contract with Santander (Uruguay) S.A. for the purchase of equipment for \$136 payable in 36 monthly installments at a 4.5% rate.
- (c) As referred in Note 8, on August 26, 2011 the Company acquired mining rights for the “Talca properties” with an amount of \$ 910 being deferred and bearing no interest. Deferred payments have been accounted for at a net present value of \$ 882 using a discount rate of 4.5%.

12. Equity Instruments

- (a) Authorized: Unlimited number of Common Shares
- (b) Equity private placement: In June 2011 the Company completed a private placement of 12,501,100 common shares at a price of £0.66 (CDN\$ 1.05) of the Company for gross proceeds of £ 8,250 equivalent to \$13,091. Total broker commissions and other related expenses of the issue amounted to \$1,006. The broker also received 562,550 warrants as compensation entitling the holder thereof to acquire one common share per warrant at an exercise price of £0.66 at any time and until December 20, 2012. The fair value of the warrants of \$276 was estimated at the date of the grant using the Black-Scholes option pricing model with a risk free rate of 1.57% and a volatility factor of 48%.
- (c) Finder’s fees for Talca acquisition: As a result of the Talca property acquisition as referred in Note 8, the Company has paid 231,321 shares equivalent to \$250 as a success fee.
- (d) Movements in capital for the period ended November 30, 2011 are shown hereinafter:

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12. Equity Instruments – continued

	Number of shares (000's)	Six months ended November 30, 2011 (\$)	Number of shares (000's)	Six months ended November 30, 2010 (\$)
Balance at beginning of period	65,239,888	42,692	64,796	42,344
Shares issued on exercise of stock options	7,500	21	334	208
Shares issued on private placement	12,501,100	13,091	0	0
Broker commission and other issue expenses of private placement	0	(1,006)	0	0
Talca acquisition - finder's fee	231,321	250	0	0
Balance at end of period	77,979,809	55,048	65,130	42,552

(e) Dividends: No dividends have been declared during the quarter.

(f) 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 and six month period ended November 30, 2011, no options were granted and \$90 and \$216 of compensation expense was recorded respectively (November 30, 2010 1,830,000 and 1,955,000 options were granted and \$232 and \$284 was recorded respectively). At November 30, 2011 the aggregate unamortized fair value of unvested stock options granted amounted to \$142 (November 30, 2010 - \$538). At November 30, 2011 there were 3,231,386 (May 2011– 3,822,886) options outstanding, of which 2,508,052 are exercisable (May 2011– 2,312,429). The weighted average exercise price of the options outstanding at November 30, 2011 is CDN\$ 0.98 (May 31, 2011 CDN\$ 1.29). The following table summarizes information regarding the Company's outstanding options as at November 30, 2011:

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12. Equity Instruments – continued

	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	1,955	\$0.395 - \$0.75	\$0.73
Exercised	(318)	\$0.395 - \$0.75	\$0.55
Forfeited	(434)	\$0.38 - \$4.50	\$3.10
Balance at November 30, 2010	3,953	\$0.395 - \$5.50	\$1.39
Granted	150	\$1.20	\$1.20
Exercised	(126)	\$0.60 - \$0.75	\$0.62
Forfeited	(154)	\$0.60 - \$5.50	\$1.00
Balance at May 31, 2011	3,823	\$0.395 - \$4.77	\$1.29
Exercised	(8)	\$0.60	\$0.60
Forfeited	(584)	\$0.40 - \$4.77	\$3.01
Balance at November 30, 2011	3,231	\$0.395 - \$3.90	\$0.98

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 \$
83	0.00-0.40	0.40	3.50	42	0.40
371	0.41-0.60	0.60	1.89	371	0.60
476	0.61-0.74	0.61	2.87	476	0.61
1,842	0.75-1.00	0.77	3.66	1,260	0.77
150	1.01-3.00	1.20	4.03	50	1.20
309	3.01-3.90	3.33	0.87	309	3.33
3,231	0.395-3.90	0.98	3.09	2,508	1.03

13. Basic & Diluted earnings per share

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

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13. Basic & Diluted earnings per share - continued

	Three months ended November 30		Six months ended November 30,	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Basic earnings per share				
Numerator				
Net earnings	2,565	2,784	6,977	6,310
Denominator				
Weighted average shares outstanding	77,820,595	64,945,192	77,780,792	64,870,309
Basic earnings per share (cents per share)	0.03	0.04	0.09	0.10
	Three months ended November 30,		Six months ended November 30,	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Diluted earnings per share				
Numerator				
Net earnings	2,565	2,784	6,977	6,310
Denominator				
Weighted average shares outstanding	77,820,595	64,945,192	77,780,792	64,870,309
Potential net incremental issue of shares from stock options	863,419	123,129	995,841	83,030
Shares outstanding plus assumed conversions	78,684,014	65,068,321	78,776,633	64,953,339
Diluted earnings per share (cents per share)	0.03	0.04	0.09	0.10

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 six months and three month period ended November 30, 2011 was CDN\$ 1.09 and CDN\$ 1.02 respectively (November 30, 2010 - CDN\$ 0.57 and CDN\$ 0.84).

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14. Segment Information

The Company is a gold producer, develops its own exploration programs and evaluates mining assets acquisitions throughout Latin America. Accordingly, the Company identifies the following three operating segments that management reviews regularly in order to evaluate their performance and make decisions about resources to be allocated:

- i) **Production segment:** The Company has one only producing asset, the San Gregorio gold operations in the north of Uruguay (UY), the only producing gold mine in the country that generates the whole of the Company's ordinary revenues.
- ii) **Exploration segment:** The Company carries on exploration programs on its mineral portfolio in Uruguay and in Chile (CH) with the objective of adding reserves to its production profile and/or generating other kind of joint ventures and farm out agreements. The segment includes additionally the evaluation of mining assets acquisitions throughout Latin America.
- iii) **Corporate segment:** The corporate segment seeks for the Company strategy and is also responsible of raising funds when needed to finance exploration programs, acquisition of assets and the development of mine operations.

	Production (UY)	Exploration (UY)	Exploration (CH)	Exploration (acquisitions)	Corporate	Total
For three months ended November 30, 2011						
Sales	20,985	0	0	0	0	20,985
Production costs	(15,753)	0	0	0	0	(15,753)
Exploration costs	0	(140)	0	(120)	0	(260)
Corporate costs	0	0	0	0	(1,296)	(1,296)
Capital Expenditure	9,135	1,225	3,397	0	24	13,781
For six months ended November 30, 2011						
Sales	42,011	0	0	0	0	42,011
Production costs	(30,737)	0	0	0	0	(30,737)
Exploration costs	0	(417)	0	(305)	0	(722)
Corporate costs	0	0	0	0	(2,477)	(2,477)
Capital Expenditure	17,893	2,619	6,374	0	122	27,008
As at November 30, 2011						
Property, plant and equipment and mineral properties	46,975	202	100	0	379	47,656
Deferred exploration	0	5,152	24,962	0	0	30,114

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14. Segment Information – continued

	Production (UY)	Exploration (UY)	Exploration (CH)	Exploration (acquisitions)	Corporate	Total
For three months ended November 30, 2010						
Sales	16,584	0	0	0	0	16,584
Production costs	(11,948)	0	0	0	0	(11,948)
Exploration costs	0	(84)	0	0	0	(84)
Corporate costs	0	0	0	0	(1,388)	(1,388)
Capital Expenditure	1,463	725	1,266	0	0	3,454
For six months ended November 30, 2010						
Sales	34,797	0	0	0	0	34,797
Production costs	(25,121)	0	0	0	0	(25,121)
Exploration costs	0	(592)	0	0	0	(592)
Corporate costs	0	0	0	0	(2,178)	(2,178)
Capital Expenditure	2,380	2,184	2,139	0	0	6,703
As at May 31, 2011						
Property, plant and equipment and mineral properties	29,398	132	45	0	261	29,836
Deferred exploration	0	6,375	17,513	0	0	23,888

15. Deferred income tax asset

Income tax expense comprises:

	Three months ended November 30,		Six months ended November 30,	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Current income tax provision	1,173	548	2,265	665
Deferred income tax provision (recovery)	597	(150)	(377)	266
	1,770	398	1,888	931

The following table sets out changes in the deferred income tax asset:

	For the six months ended November 30, 2011 (\$)	As of May 31, 2011 (\$)
Balance beginning of period	5,148	4,181
Recognized deferred tax income	377	967
Balance end of period	5,525	5,148

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15. Deferred income tax asset – continued

The significant components of the Company's deferred income tax asset and liabilities are as follows:

(i) Deferred tax asset	As of November 30, 2011 (\$)	As of May 31, 2011 (\$)
Property plant and equipment	4,204	3,924
Inventories	461	755
Rehabilitation plan	708	0
Deferred exploration and mineral properties	152	469
Net deferred income tax asset	5,525	5,148

Expenses estimated and accrued to determine the environmental restoration liability will be deductible for income tax purposes at the time the restoration expenses are paid. Given the extension of the life of mine, some expenditure incurred for rehabilitation will be done and will be deductible for income tax purposes from future taxable income, while there is uncertainty there will be sufficient taxable income for restoration expenditure to be incurred at the end of the life of mine. The Company has recognized a deferred tax asset for the rehabilitation according to its planned restoration programme when it is certain that expenses incurred for rehabilitation will be deductible from future taxable income.

The property, plant and equipment and mine properties tax assets represent rights for future income tax deductions nominated in Uruguayan pesos that are subject to the appreciation or devaluation of the Uruguayan peso against the United States dollar. Fixed assets are also revaluated in Uruguay for tax purposes according to local inflation. Additionally, the value of the stockpile carried forward is, for tax purposes, fixed in Uruguayan pesos at the time the stocks are being incorporated. Appreciation of the Uruguayan peso in relation to the United States dollar, and local Uruguayan inflation for the quarter determined the increase in the deferred income tax asset.

16. Related party disclosure

The company has no transactions carried out with related parties except for compensation provided to key management undertaken in the normal course of operations.

Key management includes the Company's directors –which includes the Chief Executive Officer and Chief Financial Officer–, the Chief Operating Officer and the Corporate Secretary.

Compensation awarded to key management includes:

	Three months ended November 30,		Six months ended November 30,	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Employee salaries and benefits	323	180	640	369
Non-executive director's fees	64	48	120	97
Advisory services	21	0	52	0
	408	228	812	466

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17. 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's financial performance.

- (a) Commodity Price Risk: The Company discretionally uses financial derivatives to mitigate the risk of gold price fluctuations. No derivatives are outstanding as of November 30, 2011.
- (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 United States dollar. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Cash balances are held principally in United States dollars, while its expenses are incurred in Uruguay and Chilean pesos as well as United States 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/Chile inflationary impact on the peso expenses increases at more than the depreciation of the Uruguay/Chile 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/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 United States dollars

- (c) Fair value: The Company's financial instruments include cash and cash equivalents, accounts and debentures 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 amounts receivable and debenture 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 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.
- (f) Insurance: The Company purchases limited discretionary insurance to cover catastrophic property damage, business interruption and liability risk

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17. Financial Instruments – continued

- (g) Fair value measurement of financial instruments: The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs for the asset or the liability that are not based on observable market data.

The following table presents the classification of the Company's financial instruments within the fair value hierarchy before mentioned as at November 30, 2011:

Financial Instrument	Level 1	Level 2	Level 3	Total
Cash	0	17,054	0	17,054
Amounts and debentures receivables	0	3,099	0	3,099
Short term investments	90	0	0	90
Restricted cash	0	269	0	269
Total	90	20,422	0	20,512

18. Effect of transition to IFRS

These condensed interim consolidated financial statements represent the first interim financial statements of the Company prepared in accordance with IFRS as described in Note 1. The first annual financial statements issued by the Company that will comply with IFRS will be those for the year ending May 31, 2012. Accordingly to IFRS 1, "First time adoption of IFRS" the first date at which IFRS was applied was June 1, 2010 ("The transition date") and the Company has prepared its IFRS opening statement of financial position at that date.

As stated by IFRS 1, the Company has applied the same accounting policies throughout all periods presented and applied the policies on a retrospective basis. IFRS 1 includes a number of elective exemptions and mandatory exceptions that allow or require a first-time adopter to implement certain standards in a manner other than full retrospective application.

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS, the description of the accounting policies changes as an effect of the transition and the mandatory reconciliation to present the adjustments made to the Company's Canadian GAAP consolidated balance sheet and consolidated statements of income, comprehensive income and retained earnings to comply with IFRS 1. Reconciliations include the Company's Consolidated Statement of Financial Position as at June 1, 2010, November 30, 2010 and May 31, 2011 and the Consolidated Statements of Operations and Comprehensive Income for the three and six months period ended November 30, 2010. No changes have been made to the Consolidated Statements of Cash Flows in net cash provided by operations, investing and financing activities under Canadian GAAP and IFRS.

Orosur Mining Inc.
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(Unaudited)

(Thousands of United States Dollars, except where indicated)

For the three and six months ended November 30, 2011 and 2010

Reconciliation of Equity as previously reported under Canadian GAAP to IFRS

	As at June 1, 2010			As at November 30, 2010			As at May 31, 2011		
	Canadian GAAP	Effect of transition	IFRS	Canadian GAAP	Effect of transition	IFRS	Canadian GAAP	Effect of transition	IFRS
Assets									
Cash	8,691	-	8,691	13,939	-	13,939	14,178	-	14,178
Accounts receivable	2,351	-	2,351	1,273	-	1,273	2,473	-	2,473
Inventories	18,090	-	18,090	16,129	-	16,129	17,363	-	17,363
Prepaid expenses	1,220	-	1,220	989	-	989	1,074	-	1,074
Short term investments	0	-	0	90	-	90	90	-	90
Total current assets	30,352	-	30,352	32,420	-	32,420	35,178	-	35,178
Property, plant and equipment and mineral properties	18,757	-	18,757	18,603	-	18,603	29,836	-	29,836
Deferred exploration (g)	24,850	(1,774)	23,076	27,850	(1,774)	26,076	25,662	(1,774)	23,888
Deferred income tax assets	4,181	-	4,181	3,915	-	3,915	5,148	-	5,148
Restricted cash	191	-	191	197	-	197	223	-	223
Total non-current assets	47,979	(1,774)	46,205	50,565	(1,774)	48,791	60,869	(1,774)	59,095
Total assets	<u>78,331</u>	<u>(1,774)</u>	<u>76,557</u>	<u>82,985</u>	<u>(1,774)</u>	<u>81,211</u>	<u>96,047</u>	<u>(1,744)</u>	<u>94,273</u>
Liabilities and Shareholder's Equity									
Accounts payable and accrued liabilities	11,510	-	11,510	9,563	-	9,563	12,362	-	12,362
Current portion of long term debt	19	-	19	19	-	19	14	-	14
Total current liabilities	11,529	-	11,529	9,582	-	9,582	12,376	-	12,376
Long term debt	14	-	14	6	-	6	-	-	-
Deferred income tax liability (g)	1,774	(1,774)	0	1,774	(1,774)	-	1,774	(1,774)	-
Rehabilitation provision (f)	2,954	590	3,544	2,823	528	3,351	2,942	532	3,474
Total non-current liabilities	4,742	(1,184)	3,558	4,603	(1,246)	3,357	4,716	(1,242)	3,474
Total liabilities	16,271	(1,184)	15,087	14,185	(1,246)	12,939	17,092	(1,242)	15,850
Capital stock	42,344	0	42,344	42,552	-	42,552	42,692	-	42,692
Contributed surplus (e)	4,647	(15)	4,632	4,987	(71)	4,916	5,248	(110)	5,138
Accumulated other comprehensive income (d)	(19)	19	-	(19)	19	-	(19)	19	-
Retained earnings	15,088	(594)	14,494	21,280	(476)	20,804	31,034	(441)	30,593
Total shareholder's equity	62,060	(590)	61,470	68,800	(528)	68,272	78,955	(532)	78,423
Total liabilities and shareholders' equity	<u>78,331</u>	<u>(1,774)</u>	<u>76,557</u>	<u>82,985</u>	<u>(1,774)</u>	<u>81,211</u>	<u>96,047</u>	<u>(1,774)</u>	<u>94,273</u>

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Reconciliation of Comprehensive income as previously reported under Canadian GAAP to IFRS

	Three months ended November 30, 2010			Six months ended November 30, 2010		
	Canadian GAAP	Effect of transition	IFRS	Canadian GAAP	Effect of transition	IFRS
Sales	16,584	-	16,584	34,797	-	34,797
Operating expenses	(9,813)	-	(9,813)	(21,506)	-	(21,506)
Depreciation	(2,135)	-	(2,135)	(3,615)	-	(3,615)
Sub total	4,636	-	4,636	9,676	-	9,676
Stock based compensation	(362)	49	(313)	(421)	56	(365)
Derivatives loss	-	-	-	(212)	-	(212)
Exploration expenses	(84)	-	(84)	(592)	-	(592)
Exploration expenses written off	-	-	-	-	-	-
General and administrative expenses	(1,075)	-	(1,075)	(1,813)	-	(1,813)
Interest expense and rehabilitation accretion	(57)	53	(4)	(72)	62	(10)
Other income	131	-	131	406	-	406
Foreign exchange gain (loss)	(109)	-	(109)	151	-	151
Income before taxes	3,080	102	3,182	7,123	118	7,241
Provision for income taxes	(398)	-	(398)	(931)	-	(931)
Net and comprehensive income	<u>2,682</u>	<u>102</u>	<u>2,784</u>	<u>6,192</u>	<u>118</u>	<u>6,310</u>

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18. Effect of transition to IFRS – continued

i) Elections made by the Company under IFRS 1:

(a) Share based payment election: The Company has elected to apply IFRS principles only to unvested stock options as at the transition date;

(b) Business combination election: The Company has elected to not apply IFRS 3R to business combinations completed prior to the transition date;

(c) Rehabilitation provision election: The Company has taken the advantage of the election available under IFRS to measure the decommissioning liability on transition under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and to treat any difference between this amount and the amount recognized under Canadian GAAP as an adjustment to retained earnings;

(d) Cumulative translation differences election: The Company elected to apply the exemption under IFRS 1 which allowed the elimination of the cumulative translation difference by transferring the opening balance sheet transition balance to retained earnings.

(e) Property, plant and equipment: IFRS 1 allows a company to initially measure an item of property, plant and equipment upon transition to IFRS at fair value or under certain circumstances using a previous GAAP revaluation, as opposed to creating depreciated cost under IFRS. The company has elected to continue with its cost model for its property, plant and equipment.

ii) Accounting policies changes on transition

(f) Share-based payments accounting policy: Under IFRS 2 "Share based payments", when a share-based payment award vests in installments over the vesting period (graded vesting) there are no possible elections on how to accrue the compensation cost and each installment must be accounted for as a separate arrangement, whereas under Canadian GAAP an entity may choose to treat the whole of the equity instruments as a pool and recognize the compensation cost on a straight-line basis. Under Canadian GAAP the company has elected in its previous financial statements to account each installment as a separate arrangement in accordance with IFRS policy and no differences arise as consequence of the transition.

However, under IFRS 2 an entity is required to recognize an expense over the vesting period based on the best available estimate of the number of equity instruments expected to vest. An estimation of the quantity of awards that will not vest (estimated forfeiture rate) based on historical trends experienced by the Company must be calculated and incorporated into the valuation of the equity instruments. Under Canadian GAAP the Company elected for an alternative measurement method of the equity instrument by which compensation cost is accrued as if all instruments granted are expected to vest. The effect of actual forfeitures would then be recognized as they occur.

Under transition, a historical forfeiture was applied to all unvested stock options as of the date of transition resulting in a decrease of the compensation cost previously recognized.

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18. Effect of transition to IFRS – continued

(g) Rehabilitation provision policy (Asset retirement obligation and asset retirement costs): Under IFRS, the Company is required to record obligation rehabilitation provision when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance. Under Canadian GAAP, the Company was not permitted to record an asset retirement cost and asset retirement obligation when there was no legal obligation to reclaim the mine. The Company's rehabilitation provision relates to the retirement and remediation of the San Gregorio operation in Uruguay.

Under Canadian GAAP, the Company recorded the asset retirement obligation as a liability at estimated fair value determined by calculating the net present value of estimated future costs assuming a weighted average cost of capital as discount rate (8.5%). Based on IFRS guidance, the Company is required to select a discount rate that reflects current assessments of the time value of money and risks specific to the liability. IFRS interpretation means that the asset retirement obligation are required to be recalculated as of the date of transition using a risk-free rate, as the estimated future cash flows for decommission have been risk-free adjusted where possible. This is supported based on the view that an entity's credit risk is not specific to the asset retirement liability, and therefore, changes in an entity's creditworthiness should not have an impact on the related obligation.

Under transition the rehabilitation provision outstanding at the transition date (June 1, 2010) was recalculated using a risk-free bond rate of 1.50%. The effect was to increase the rehabilitation provision adjusting retained earnings as per the election available under IFRS 1.

(h) Deferred tax liability policy: Under Canadian GAAP when an asset is acquired other than in a business combination and the tax basis of that asset is less/greater than its cost, the cost/benefit of future income taxes recognized at the time of acquisition should be added/deducted to/from the cost of the asset. The temporary difference is then included in the cost of the acquired asset.

Under IAS 12, "Income taxes", no deferred tax liability or deferred tax asset is recognized if it arises from an asset acquisition that is not a business combination. No adjustment to the cost of the acquired asset is made, and does not affect accounting profit nor taxes.

On January 2010, the Company acquired all of the issued and outstanding common shares from Fortune Valley Resources Inc. to incorporate into its exploration portfolio two primary assets represented by options agreements to acquire 100% interest in the Pantanillo property and 65% interest in the Anillo property, all located in Chile. Under Canadian GAAP and upon acquisition of the assets, the Company recognized a deferred tax liability of \$ 1,774 for the difference between the accounting value, based on the fair value of the net assets acquired, and the unclaimed tax deductible costs of capital assets in Chile. Under transition to IFRS the Company reversed the deferred tax liability against the value of the asset acquired previously recorded under Deferred Exploration.

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19. IFRS issued and not yet applied

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial instruments: Classification and measurement

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the Board also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard on the effective date of January 1, 2015. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation—Special Purpose Entities. The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power, and continuous reassessment. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements will apply to interests in joint arrangements where there is joint control. IFRS 11 would require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation would be removed, equity accounting would be required. Venturers would transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The IASB has issued IFRS 12 Disclosure of Interest in Other Entities, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. This standard is effective for annual periods beginning on or after January 1, 2013. Entities will be permitted to apply any of the disclosure requirements in IFRS 12 before the effective date. The Company has not determined the impact of the new standard on the consolidated financial statements.

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19. IFRS issued and not yet applied – continued

IFRS 13 Fair Value Measurement

IFRS 13 will generally converge the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. The key features of IFRS 13 include: a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied, fair value would be defined as the 'exit price', and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

IAS 27 Separate Financial Statements

As a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued as consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company does not believe IAS 27 will have a material impact on the Company's consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures

As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.