

**Orosur Mining Inc.**  
**Consolidated Interim Financial Statements**  
For the three and six month periods ended November 30, 2010  
(Unaudited)

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**Consolidated Interim Financial Statements**

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**Orosur Mining Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

|  | As at                |                 |
|--|----------------------|-----------------|
|  | November 30,<br>2010 | May 31,<br>2010 |
|  | \$                   | \$              |
| <b>Assets</b>  |                      |                 |
| <b>Current assets</b>  |                      |                 |
| Cash   | 13,939               | 8,691           |
| Accounts receivable (Note 2)                                 | 1,273                | 2,351           |
| Inventories (Note 3)   | 16,129               | 18,090          |
| Prepaid expenses   | 989                  | 1,220           |
| Short term investments                                       | 90                   | 0               |
| <b>Total current assets</b>                                  | <b>32,420</b>        | <b>30,352</b>   |
| Property plant and equipment and mineral properties (Note 4) | 18,603               | 18,757          |
| Deferred exploration (Note 5)                                | 27,850               | 24,850          |
| Future income tax assets                                     | 3,915                | 4,181           |
| Restricted cash  | 197                  | 191             |
| <b>Total non current assets</b>                              | <b>50,565</b>        | <b>47,979</b>   |
| <b>Total assets</b>  | <b>82,985</b>        | <b>78,331</b>   |
| <b>Liabilities and Shareholders' Equity</b>                  |                      |                 |
| <b>Current liabilities</b>                                   |                      |                 |
| Accounts payable and accrued liabilities                     | 9,563                | 11,510          |
| Current portion of long term debt                            | 19                   | 19              |
| <b>Total current liabilities</b>                             | <b>9,582</b>         | <b>11,529</b>   |
| Long term debt   | 6                    | 14              |
| Future income tax liability                                  | 1,774                | 1,774           |
| Asset retirement obligation                                  | 2,823                | 2,954           |
| <b>Total non current liabilities</b>                         | <b>4,603</b>         | <b>4,742</b>    |
| <b>Total liabilities</b>                                     | <b>14,185</b>        | <b>16,271</b>   |
| Capital stock  | 42,552               | 42,344          |
| Contributed surplus  | 4,987                | 4,647           |
| Accumulated other comprehensive income                       | (19)                 | (19)            |
| Retained earnings  | 21,280               | 15,088          |
| <b>Total shareholders' equity</b>                            | <b>68,800</b>        | <b>62,060</b>   |
| <b>Total liabilities and shareholders' equity</b>            | <b>82,985</b>        | <b>78,331</b>   |

Approved by the Board of Directors

*"Ignacio Salazar"*      Director

*"David Fowler"*      Director

The accompanying notes are an integral part of these interim 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<br>November 30 |            | Six months ended<br>November 30 |            |
|---|-----------------------------------|------------|---------------------------------|------------|
|   | 2010                              | 2009       | 2010                            | 2009       |
|   | \$                                | \$         | \$                              | \$         |
| <b>Net Sales</b>  | <b>16,584</b>                     | 14,811     | <b>34,797</b>                   | 27,309     |
| Operating expenses  | <b>(9,897)</b>                    | (12,355)   | <b>(21,781)</b>                 | (24,216)   |
| Amortization and depreciation                                       | <b>(2,135)</b>                    | (3,044)    | <b>(3,615)</b>                  | (5,637)    |
| <b>Operating expenses</b>   | <b>(12,032)</b>                   | (15,399)   | <b>(25,396)</b>                 | (29,853)   |
| <b>Sub-total</b>  | <b>4,552</b>                      | (588)      | <b>9,401</b>                    | (2,544)    |
| <b>Other income (expenses)</b>                                      |                                   |            |                                 |            |
| Stock based compensation expense                                    | <b>(362)</b>                      | (210)      | <b>(421)</b>                    | (304)      |
| General and administrative expense                                  | <b>(1,075)</b>                    | (864)      | <b>(1,813)</b>                  | (1,608)    |
| Derivative gain (loss)  | <b>0</b>                          | 0          | <b>(212)</b>                    | 464        |
| Exploration expenses  | <b>0</b>                          | 0          | <b>(317)</b>                    | 0          |
| Exploration expenses written off                                    | <b>0</b>                          | (371)      | <b>0</b>                        | (371)      |
| Net interest and debt accretion loss                                | <b>(57)</b>                       | (76)       | <b>(72)</b>                     | (147)      |
| Foreign exchange gain (loss)  | <b>(109)</b>                      | 6          | <b>151</b>                      | (11)       |
| Other income  | <b>131</b>                        | 1,199      | <b>406</b>                      | 1,451      |
|   | <b>(1,472)</b>                    | (316)      | <b>(2,278)</b>                  | (526)      |
| <b>Profit (Loss) before taxes</b>                                   | <b>3,080</b>                      | (904)      | <b>7,123</b>                    | (3,070)    |
| Recovery (provision) for income taxes                               | <b>(398)</b>                      | 1,580      | <b>(931)</b>                    | 1,588      |
| <b>Net and comprehensive income (loss) for the period</b>           | <b>2,682</b>                      | 676        | <b>6,192</b>                    | (1,482)    |
| <b>Retained earnings, beginning of period</b>                       | <b>18,598</b>                     | 11,529     | <b>15,088</b>                   | 13,687     |
| <b>Retained earnings, end of period</b>                             | <b>21,280</b>                     | 12,205     | <b>21,280</b>                   | 12,205     |
| <b>Basic and diluted earnings (loss) per common share (note 10)</b> | <b>0.04</b>                       | 0.01       | <b>0.10</b>                     | (0.03)     |
| <b>Weighted average shares outstanding</b>                          |                                   |            |                                 |            |
| Basic   | <b>64,945,192</b>                 | 48,667,068 | <b>64,870,309</b>               | 48,667,068 |
| Diluted   | <b>65,068,321</b>                 | 48,667,068 | <b>64,953,339</b>               | 48,667,068 |

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

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

(Thousands of United States Dollars, except where indicated)

|  | Three months ended<br>November 30 |         | Six months ended<br>November 30 |         |
|--|-----------------------------------|---------|---------------------------------|---------|
|  | 2010                              | 2009    | 2010                            | 2009    |
|  | \$                                | \$      | \$                              | \$      |
| <b>Operating activities</b>  |                                   |         |                                 |         |
| Net income (loss) for the period                                   | 2,682                             | 676     | 6,192                           | (1,482) |
| Adjustments for:   |                                   |         |                                 |         |
| Amortization and depletion   | 2,135                             | 3,044   | 3,615                           | 5,637   |
| Fair value of derivatives  | 0                                 | 0       | 0                               | (464)   |
| Accretion of asset retirement obligation                           | 66                                | 46      | 89                              | 78      |
| Future income taxes  | (150)                             | (1,365) | 266                             | (1,373) |
| Stock based compensation   | 362                               | 210     | 421                             | 304     |
| Asset sales  | 0                                 | (1,131) | 0                               | (1,343) |
| Exploration expenses written off                                   | 0                                 | 371     | 0                               | 371     |
| Other  | 5                                 | (91)    | (73)                            | 62      |
|  | <b>5,100</b>                      | 1,760   | <b>10,510</b>                   | 1,790   |
| Net change in non-cash working capital<br>balances (Note 8)        | <b>1,426</b>                      | 365     | <b>1,323</b>                    | 2,994   |
|  | <b>6,526</b>                      | 2,125   | <b>11,833</b>                   | 4,784   |
| <b>Financing activities</b>  |                                   |         |                                 |         |
| Debt payment   | (6)                               | (9)     | (9)                             | (30)    |
| Proceeds from the issue of shares                                  | 127                               | 0       | 127                             | 0       |
|  | <b>121</b>                        | (9)     | <b>118</b>                      | (30)    |
| <b>Investing activities</b>  |                                   |         |                                 |         |
| Purchase of property, plant and equipment<br>and development costs | (1,592)                           | (1,489) | (2,586)                         | (4,049) |
| Assets sales   | 0                                 | 2,300   | 0                               | 2,564   |
| Exploration expenditure  | (1,862)                           | (1,694) | (4,117)                         | (3,374) |
|  | <b>(3,454)</b>                    | (883)   | <b>(6,703)</b>                  | (4,859) |
| <b>Increase (Decrease) in cash</b>                                 | <b>3,193</b>                      | 1,233   | <b>5,248</b>                    | (105)   |
| Cash at the beginning of period                                    | <b>10,746</b>                     | 8,158   | <b>8,691</b>                    | 9,496   |
| <b>Cash at the end of period</b>                                   | <b>13,939</b>                     | 9,391   | <b>13,939</b>                   | 9,391   |

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

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

(Thousands of United States Dollars, except where indicated)

|   | Three months ended<br>November 2010 |                | Six month ended<br>November 2010 |                | Financial year ended<br>May 2010 |                |
|---|-------------------------------------|----------------|----------------------------------|----------------|----------------------------------|----------------|
|   | Number<br>(000's)                   | Amount<br>(\$) | Number<br>(000's)                | Amount<br>(\$) | Number<br>(000's)                | Amount<br>(\$) |
| <b>Common shares</b>                          |                                     |                |                                  |                |                                  |                |
| Balance at beginning of period                | 64,796                              | 42,344         | 64,796                           | 42,344         | 48,667                           | 34,642         |
| Issued for Fortune Valley acquisition         | 0                                   | 0              | 0                                | 0              | 15,766                           | 7,628          |
| Exercise of stock options                     | 334                                 | 208            | 334                              | 208            | 363                              | 74             |
| <b>Balance at end of period</b>               | <b>65,130</b>                       | <b>42,552</b>  | <b>65,130</b>                    | <b>42,552</b>  | <b>64,796</b>                    | <b>42,344</b>  |
| <b>Contributed surplus</b>                    |                                     |                |                                  |                |                                  |                |
| Balance at beginning of period                |                                     | 4,706          |                                  | 4,647          |                                  | 4,239          |
| Employee stock based compensation recognized  |                                     | 362            |                                  | 421            |                                  | 407            |
| Issued for Fortune Valley acquisition         |                                     | 0              |                                  | 0              |                                  | 25             |
| Transfer to commons shares                    |                                     | (81)           |                                  | (81)           |                                  | (24)           |
| <b>Balance at end of period</b>               |                                     | <b>4,987</b>   |                                  | <b>4,987</b>   |                                  | <b>4,647</b>   |
| <b>Accumulated other comprehensive income</b> |                                     |                |                                  |                |                                  |                |
| Balance at beginning of period                |                                     | (19)           |                                  | (19)           |                                  | (19)           |
| Movement for the period                       |                                     | 0              |                                  | 0              |                                  | 0              |
| <b>Balance at end of period</b>               |                                     | <b>(19)</b>    |                                  | <b>(19)</b>    |                                  | <b>(19)</b>    |
| <b>Retained earnings</b>                      |                                     |                |                                  |                |                                  |                |
| Balance at beginning of period                |                                     | 18,598         |                                  | 15,088         |                                  | 13,687         |
| Net income for the period                     |                                     | 2,682          |                                  | 6,192          |                                  | 1,401          |
| <b>Balance at end of period</b>               |                                     | <b>21,280</b>  |                                  | <b>21,280</b>  |                                  | <b>15,088</b>  |
| <b>Shareholders' equity at end of period</b>  |                                     | <b>68,800</b>  |                                  | <b>68,800</b>  |                                  | <b>62,060</b>  |

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

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**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Unaudited )**

(Thousands of United States Dollars, except where indicated)

**November 30, 2010**

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**1. Significant accounting policies**

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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.

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**2. Accounts receivable**

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|                   | <b>November 30,</b> | May 31,   |
|-------------------|---------------------|-----------|
|                   | <b>2010 (\$)</b>    | 2010 (\$) |
| Tax receivables   | <b>1,070</b>        | 2,066     |
| Other receivables | <b>203</b>          | 285       |
|                   | <b>1,273</b>        | 2,351     |

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Tax receivables consist of refunds for Canadian HST and Uruguayan Value Added Tax.

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**3. Inventories**

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|                        | <b>November 30,</b> | May 31,   |
|------------------------|---------------------|-----------|
|                        | <b>2010 (\$)</b>    | 2010 (\$) |
| Finished metals        | <b>433</b>          | 886       |
| Ore in stockpiles      | <b>5,493</b>        | 6,461     |
| Gold in circuit        | <b>1,936</b>        | 1,529     |
| Materials and supplies | <b>8,267</b>        | 9,214     |
|                        | <b>16,129</b>       | 18,090    |

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**Orosur Mining Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**Unaudited**

(Thousands of United States Dollars, except where indicated)

**November 30, 2010**

**4. Property, Plant and Equipment and Mineral Properties**

|                       | November 30, 2010 |  |                   |
|-----------------------|-------------------|--|-------------------|
|                       | Cost              | Accumulated<br>Amortization<br>and Depletion | Net Book<br>Value |
| Land and lease rights | 1,691             | 0  | 1,691             |
| Plant and equipment   | 35,751            | 28,909                                       | 6,842             |
| Mineral properties    | 41,137            | 31,067                                       | 10,070            |
|                       | 78,579            | 59,976                                       | 18,603            |
|                       | May 31, 2010      |  |                   |
|                       | Cost              | Accumulated<br>Amortization and<br>Depletion | Net Book<br>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 \$ 1,074 (May 2010 - \$ 1,333) of major spare parts that are amortized over a period of two to four years. These major spare parts are maintained to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure.
- (c) Mineral properties include the expenditure incurred for the development of Arenal Deeps (\$ 5,121), the side and deep extensions of the San Gregorio mine (\$ 1,476) and resource definition work for Zapucay pit and other minor veins (\$ 2,191).

**Orosur Mining Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**Unaudited**

(Thousands of United States Dollars, except where indicated)

**November 30, 2010**

**5. Deferred Exploration**

Movements on deferred exploration are shown hereinafter:

|   | <b>For the six months<br/>ended November 30,<br/>2010 (\$)</b> | <b>For the financial year<br/>ended May 31,<br/>2010 (\$)</b> |
|---|--|---|
| Balance at beginning                      | <b>24,850</b>  | 12,437  |
| Cash payments for exploration expenditure | <b>4,117</b>   | 8,317   |
| Acquisition of Fortune Valley             | <b>0</b>   | 10,934  |
| Reclassification to mineral properties    | <b>(1,117)</b>   | (6,224)   |
| Exploration expenses written off          | <b>0</b>   | (614)   |
| Balance at end of the period              | <b>27,850</b>  | 24,850  |

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 six month period ended November 30, 2010:

- In June of 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 from the option agreement date 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 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 November 30, 2010 to support exploration activities on tenements granted were \$ 4,007 (May 2010 - \$ 3,823).

**November 30, 2010**

**6. Equity Instruments**

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

For the quarter and six month period ending November 30, 2010 an amount of 1,830,000 and 1,955,000 options respectively were granted and \$ 362 for the quarter and \$ 421 for the six month period of compensation expense was recorded (\$ 210 and \$ 304 for the corresponding periods of the previous year). At November 30, 2010 the aggregate unamortized value of unvested stock options amounted to \$ 538 (May 31, 2010 - \$ 124).

The weighted average fair values of all stock options granted for the six months ended November 30, 2010 were CDN\$ 1.16 (May 31, 2009 – CDN\$ 0.91), estimated as of the date of grant using the Black-Scholes option pricing model with the following average assumptions:

|                              | Six months ended<br>November 2010 | Financial year ended<br>May 2010 |
|------------------------------|-----------------------------------|----------------------------------|
| Expected option life (years) | Range of 2.2 to 2.3               | Range of 2.3 to 2.5              |
| Volatility                   | Range of 114% to 117%             | Range of 105% to 106%            |
| Risk-free interest rate      | Range of 1.42% to 1.44%           | Range of 1.19% to 1.30%          |
| Dividend yield               | Nil                               | Nil                              |

The following table summarizes information regarding the Company's outstanding options as at November 30, 2010:

**Orosur Mining Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**Unaudited**

(Thousands of United States Dollars, except where indicated)

**November 30, 2010**

**6. Equity Instruments – continued**

|                              | Number of<br>Shares<br>(000's) | Option Price per<br>Share Range<br>CDN \$ | Weighted<br>Average Exercise<br>Price<br>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 | <u>3,953</u>                   | \$0.395 - \$5.50                          | \$1.39  |

| Outstanding     |                                       |  |  | Exercisable     |   |
|-----------------|---------------------------------------|--|--|-----------------|---|
| Options<br>000s | Range of<br>option<br>price<br>CDN \$ | Weighted<br>average<br>Exercise<br>Price<br>CDN \$ | Weighted<br>average<br>remaining<br>contractual<br>life<br>Years | Options<br>000s | Weighted<br>average<br>Exercise Price<br>CDN \$ |
| 132             | 0.00 – 0.40                           | 0.40   | 4.41   | 44              | 0.40  |
| 503             | 0.41 – 0.60                           | 0.60   | 2.88   | 503             | 0.60  |
| 507             | 0.61 – 0.74                           | 0.61   | 3.87   | 338             | 0.61  |
| 1,936           | 0.75 – 1.00                           | 0.76   | 4.67   | 721             | 0.79  |
| 727             | 1.01 – 4.00                           | 3.60   | 1.42   | 727             | 3.60  |
| 148             | 4.01 – 5.50                           | 5.00   | 0.25   | 148             | 5.00  |
| <u>3,953</u>    |                                       | 1.39   | 3.57   | <u>2,481</u>    | 1.79  |

At November 30, 2010 there were 3,952,885 ( May 2010 – 2,749,850) options outstanding, of which 2,480,706 (May 2010 – 1,882,517) are exercisable. The weighted average exercise price of the options outstanding at November 30, 2010 is CDN\$ 1.39 (May 31, 2010 CDN\$ 2.04).

**Orosur Mining Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**Unaudited**

(Thousands of United States Dollars, except where indicated)

**November 30, 2010**

**7. Segment Information**

|  | Gold    | Exploration<br>Uruguay | Exploration<br>Chile | Corporate | Total   |
|--|---------|------------------------|----------------------|-----------|---------|
| <b>For six months ended November 30, 2010</b>        |         |                        |                      |           |         |
| Net Sales  | 34,797  | 0                      | 0                    | 0         | 34,797  |
| Amortization and depreciation                        | (3,340) | (269)                  | (6)                  | 0         | (3,615) |
| Net interest and debt accretion loss                 | (72)    | 0                      | 0                    | 0         | (72)    |
| Income tax provision                                 | (931)   | 0                      | 0                    | 0         | (931)   |
| Net income (loss)                                    | 8,430   | (1,284)                | 6                    | (960)     | 6,192   |
| Capital Expenditure                                  | 2,380   | 2,184                  | 2,139                | 0         | 6,703   |
| <b>For three months ended November 30, 2010</b>      |         |                        |                      |           |         |
| Net Sales  | 16,584  | 0                      | 0                    | 0         | 16,584  |
| Amortization and depreciation                        | (2,051) | (78)                   | (6)                  | 0         | (2,135) |
| Net interest and debt accretion loss                 | (57)    | 0                      | 0                    | 0         | (57)    |
| Income tax provision                                 | (398)   | 0                      | 0                    | 0         | (398)   |
| Net income (loss)                                    | 3,764   | (457)                  | (28)                 | (597)     | 2,682   |
| Capital Expenditure                                  | 1,463   | 725                    | 1,266                | 0         | 3,454   |
| <b>As at November 30, 2010</b>                       |         |                        |                      |           |         |
| Property, plant and equipment and mineral properties | 18,049  | 357                    | 197                  | 0         | 18,603  |
| Deferred exploration                                 | 0       | 12,939                 | 14,911               | 0         | 27,850  |

**Orosur Mining Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**Unaudited**

(Thousands of United States Dollars, except where indicated)

**November 30, 2010**

**7. Segment Information – continued**

|  | Gold    | Exploration<br>Uruguay | Exploration<br>Chile | Corporate | Total   |
|--|---------|------------------------|----------------------|-----------|---------|
| <b>For six months ended November 30, 2009</b>        |         |                        |                      |           |         |
| Net Sales  | 27,309  | 0                      | 0                    | 0         | 27,309  |
| Amortization and depreciation                        | (5,393) | (244)                  | 0                    | 0         | (5,637) |
| Net interest and debt accretion loss                 | (147)   | 0                      | 0                    | 0         | (147)   |
| Income tax recovery                                  | 1,588   | 0                      | 0                    | 0         | 1,588   |
| Net income (loss)                                    | 569     | (1,275)                | 0                    | (776)     | (1,482) |
| Capital Expenditure                                  | 4,049   | 3,374                  | 0                    | 0         | 7,423   |
| <b>For three months ended November 30, 2009</b>      |         |                        |                      |           |         |
| Net Sales  | 14,811  | 0                      | 0                    | 0         | 14,811  |
| Depreciation   | (2,923) | (121)                  | 0                    | 0         | (3,044) |
| Net interest and debt accretion loss                 | (76)    | 0                      | 0                    | 0         | (76)    |
| Income tax recovery                                  | 1,580   | 0                      | 0                    | 0         | 1,580   |
| Net income (loss)                                    | 1,698   | (598)                  | 0                    | (424)     | 676     |
| Capital Expenditure                                  | 1,489   | 1,694                  | 0                    | 0         | 3,183   |
| <b>As at 31 May 2010</b>                             |         |                        |                      |           |         |
| Property, plant and equipment and mineral properties | 18,299  | 458                    | 0                    | 0         | 18,757  |
| Deferred exploration                                 | 0       | 11,874                 | 12,976               | 0         | 24,850  |

**8. Statements of Cash Flows**

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

|   | Three months ended<br>November 30 |           | Six months ended<br>November 30 |           |
|---|-----------------------------------|-----------|---------------------------------|-----------|
|   | 2010 (\$)                         | 2009 (\$) | 2010 (\$)                       | 2009 (\$) |
| Prepaid expenses                                | 170                               | (155)     | 231                             | (59)      |
| Accounts receivable                             | 549                               | (871)     | 1,078                           | (1,508)   |
| Accounts payable and accrued liabilities        | 1,209                             | 1,530     | (1,947)                         | 3,294     |
| Inventory                                       | (502)                             | (139)     | 1,961                           | 1,267     |
| Net change in non-cash working capital balances | 1,426                             | 365       | 1,323                           | 2,994     |

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**Orosur Mining Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**Unaudited**

(Thousands of United States Dollars, except where indicated)

**November 30, 2010**

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**8. Statements of Cash Flows – continued**

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(b) Other information

|                        | <b>Three months ended</b> |                  | <b>Six months ended</b> |                  |
|------------------------|---------------------------|------------------|-------------------------|------------------|
|                        | <b>November 30</b>        |                  | <b>November 30</b>      |                  |
|                        | <b>2010 (\$)</b>          | <b>2009 (\$)</b> | <b>2010 (\$)</b>        | <b>2009 (\$)</b> |
| Cash interest paid     | <b>1</b>                  | 25               | <b>6</b>                | 27               |
| Cash income taxes paid | <b>0</b>                  | 0                | <b>0</b>                | 0                |

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**9. Financial Instruments**

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

(a) Commodity Price Risk: The Company occasionally and discretionally uses financial derivatives to mitigate the risk of gold price fluctuations.

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.

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

- (i) The Uruguay inflationary impact on the peso expenses increases at more than the depreciation of the Uruguay peso against the United States dollar. This would result in an increase of the peso-based expenses.
- (ii) The United States dollar depreciates against the Uruguay peso. This would reduce the available cash resources and increase the related expense.

**November 30, 2010**

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**9. Financial Instruments – continued**

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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 will raise capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

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**10. Basic & Diluted earnings (loss) per share**

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

|  | <b>Three months ended</b> |             | <b>Six months ended</b> |             |
|--|---------------------------|-------------|-------------------------|-------------|
|  | <b>November 30,</b>       | <b>2009</b> | <b>November 30,</b>     | <b>2009</b> |
|  | <b>2010</b>               | <b>2009</b> | <b>2010</b>             | <b>2009</b> |
| <b>Basic earnings per share</b>                              |                           |             |                         |             |
| Numerator  |                           |             |                         |             |
| Net earnings (loss) available to shareholders                | 2,682                     | 676         | 6,192                   | (1,482)     |
| Denominator  |                           |             |                         |             |
| Weighted average shares outstanding                          | 64,945,192                | 48,667,068  | 64,870,309              | 48,667,068  |
| Basic earnings (loss) per share (cents per share)            | 0.04                      | 0.01        | 0.10                    | (0.03)      |
| <b>Diluted earnings per share</b>                            |                           |             |                         |             |
| Numerator  |                           |             |                         |             |
| Net earnings (loss) available to shareholders                | 2,686                     | 676         | 6,192                   | (1,482)     |
| Denominator  |                           |             |                         |             |
| Weighted average shares outstanding                          | 64,945,192                | 48,667,068  | 64,870,309              | 48,667,068  |
| Potential net incremental issue of shares from stock options | 123,129                   | 0           | 83,030                  | 0           |
| Shares outstanding plus assumed conversions                  | 65,068,321                | 48,667,068  | 64,953,339              | 48,667,068  |
| Diluted earnings (loss) per share (cents per share)          | 0.04                      | 0.01        | 0.10                    | (0.03)      |

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 and warrants with an exercise price lower than the average quoted market price were exercised at the beginning of the period, or at time of issue. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per common share as the effect is anti-dilutive. The average quoted market price of the common shares during the six month and three month periods ended November 30, 2010 were CDN\$ 0.57 and CDN\$ 0.84 respectively (Year end May 2010 - CDN\$ 0.44).