

## **Orosur Mining Inc.**

### **Consolidated Interim Financial Statements** **For the three and nine month periods ended February 28, 2011** (Unaudited)

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

(Thousands of United States Dollars, except where indicated)

	As at	
	February 28, 2011	May 31, 2010
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	15,331	8,691
Accounts receivable (note 2)	3,480	2,351
Inventories (note 3)	17,933	18,090
Prepaid expenses	1,113	1,220
Short term investments	90	0
<b>Total current assets</b>	<b>37,947</b>	<b>30,352</b>
Property plant and equipment and mineral properties (note 4)	22,829	18,757
Deferred exploration (note 5)	26,882	24,850
Future income tax assets	4,583	4,181
Restricted cash	214	191
<b>Total non current assets</b>	<b>54,508</b>	<b>47,979</b>
<b>Total assets</b>	<b>92,455</b>	<b>78,331</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 2)	12,717	11,510
Current portion of long term debt	19	19
<b>Total current liabilities</b>	<b>12,736</b>	<b>11,529</b>
Long term debt	0	14
Future income tax liability	1,774	1,774
Asset retirement obligation	2,598	2,954
<b>Total non current liabilities</b>	<b>4,372</b>	<b>4,742</b>
<b>Total liabilities</b>	<b>17,108</b>	<b>16,271</b>
Capital stock	42,674	42,344
Contributed surplus	5,126	4,647
Accumulated other comprehensive income	(19)	(19)
Retained earnings	27,566	15,088
<b>Total shareholders' equity</b>	<b>75,347</b>	<b>62,060</b>
<b>Total liabilities and shareholders' equity</b>	<b>92,455</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 consolidated interim financial statements

**Orosur Mining Inc.**  
**Consolidated Statements of Income, other comprehensive income and Retained Earnings**  
**(Unaudited)**

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

	Three months ended February 28		Nine months ended February 28	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Net Sales</b>	<b>21,618</b>	13,152	<b>56,415</b>	40,461
Operating expenses	<b>(9,294)</b>	(12,173)	<b>(31,075)</b>	(36,389)
Depreciation	<b>(2,016)</b>	(2,228)	<b>(5,631)</b>	(7,865)
<b>Operating expenses and depreciation</b>	<b>(11,310)</b>	(14,401)	<b>(36,706)</b>	(44,254)
<b>Sub-total</b>	<b>10,308</b>	(1,249)	<b>19,709</b>	(3,793)
<b>Other income (expenses)</b>				
Stock based compensation expense	<b>(164)</b>	(73)	<b>(585)</b>	(377)
General and administrative expense	<b>(973)</b>	(930)	<b>(2,786)</b>	(2,538)
Derivative gain (loss)	<b>0</b>	0	<b>(212)</b>	464
Exploration expenses	<b>(74)</b>	0	<b>(391)</b>	0
Exploration expenses written off	<b>(2,489)</b>	(11)	<b>(2,489)</b>	(382)
Net interest and rehabilitation accretion	<b>(89)</b>	(43)	<b>(161)</b>	(190)
Foreign exchange gain (loss)	<b>(28)</b>	(73)	<b>123</b>	(84)
Gain on sale of assets	<b>1,531</b>	0	<b>1,653</b>	1,215
Other income	<b>102</b>	33	<b>386</b>	269
	<b>(2,184)</b>	(1,097)	<b>(4,462)</b>	(1,623)
<b>Profit (loss) before taxes</b>	<b>8,124</b>	(2,346)	<b>15,247</b>	(5,416)
Future income taxes recovery (provision)	<b>(1,838)</b>	(574)	<b>(2,769)</b>	1,014
<b>Net and comprehensive profit (loss) for the period</b>	<b>6,286</b>	(2,920)	<b>12,478</b>	(4,402)
<b>Retained earnings, beginning of period</b>	<b>21,280</b>	12,205	<b>15,088</b>	13,687
<b>Retained earnings, end of period</b>	<b>27,566</b>	9,285	<b>27,566</b>	9,285
<b>Basic and diluted earnings (loss) per common share (note 10)</b>	<b>0.10</b>	(0.05)	<b>0.19</b>	(0.08)
<b>Weighted average shares outstanding</b>				
Basic	<b>65,195,333</b>	59,177,493	<b>64,978,650</b>	52,170,543
Diluted	<b>66,464,577</b>	59,177,493	<b>65,406,469</b>	52,170,543

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

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

(Thousands of United States Dollars, except where indicated)

	Three months ended February 28		Nine months ended February 28	
	2010	2010	2010	2010
	\$	\$	\$	\$
<b>Operating activities</b>				
Net profit (loss) for the period	6,286	(2,920)	12,478	(4,402)
Adjustments for:				
Depreciation	2,016	2,228	5,631	7,865
Fair value of derivatives	0	0	0	(464)
Accretion of asset retirement obligation	45	35	134	113
Future income taxes	(668)	574	(402)	(799)
Stock based compensation	164	73	585	377
Gain on sale of assets	(1,015)	0	(1,134)	(1,343)
Exploration expenses written off	2,489	11	2,489	382
Other	(75)	(113)	(154)	(51)
	<u>9,242</u>	<u>(112)</u>	<u>19,627</u>	<u>1,678</u>
Net change in non-cash working capital balances (Note 10)	(981)	1,220	342	4,214
	<u>8,261</u>	<u>1,108</u>	<u>19,969</u>	<u>5,892</u>
<b>Financing activities</b>				
Debt proceeds (payments)	(5)	34	(14)	4
Proceed from the issue of shares	97	0	224	0
	<u>92</u>	<u>34</u>	<u>210</u>	<u>4</u>
<b>Investing activities</b>				
Purchase of property, plant and equipment and development costs	(5,085)	(1,191)	(7,671)	(5,240)
Proceeds from the sale of assets	1,035	8	1,160	2,572
Exploration expenditure	(2,911)	(2,200)	(7,028)	(5,574)
	<u>(6,961)</u>	<u>(3,383)</u>	<u>(13,539)</u>	<u>(8,242)</u>
<b>Increase (Decrease) in cash</b>	<b>1,392</b>	<b>(2,241)</b>	<b>6,640</b>	<b>(2,346)</b>
Cash at the beginning of period	13,939	9,391	8,691	9,496
<b>Cash at the end of period</b>	<b>15,331</b>	<b>7,150</b>	<b>15,331</b>	<b>7,150</b>

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

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

(Thousands of United States Dollars, except where indicated)

	Three months ended February 2011		Nine months ended February 2011		Financial year ended May 2010	
	Number (000's)	Amount (\$)	Number (000's)	Amount (\$)	Number (000's)	Amount (\$)
<b>Common shares</b>						
Balance at beginning of period	65,107	42,552	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	100	122	411	330	363	74
Balance at end of period	65,207	42,674	65,207	42,674	64,796	42,344
<b>Contributed surplus</b>						
Balance at beginning of period		4,987		4,647		4,239
Employee stock based compensation recognized		164		585		407
Issued for Fortune Valley acquisition		0		0		25
Transfer to common shares		(25)		(106)		(24)
Balance at end of period		5,126		5,126		4,647
<b>Accumulated other comprehensive income</b>						
Balance at beginning of period		(19)		(19)		(19)
Movement for the period		0		0		0
Balance at end of period		(19)		(19)		(19)
<b>Retained earnings</b>						
Balance at beginning of period		21,280		15,088		13,687
Net income for the period		6,286		12,478		1,401
Balance at end of period		27,566		27,566		15,088
Shareholders' equity at end of period		75,347		75,347		62,060

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

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

(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

**1. Basis of presentation**

These consolidated unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended May 31, 2010, since they do not contain all disclosures required by GAAP annual financial statements. The unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented. Actual results could differ from those estimates. The reference to "the Company" in these consolidated financial statements includes the parents and all of its subsidiaries.

**2. Accounts receivable and accounts payable**

Accounts receivable	<b>February 28,</b>	May 31,
	<b>2011 (\$)</b>	2010 (\$)
Tax receivables	<b>1,006</b>	2,066
Assets sales receivables	<b>2,414</b>	46
Other receivables	<b>60</b>	239
	<b>3,480</b>	2,351

Tax receivables consist of refunds to be collected for Uruguayan Value Added Tax and Canadian HST. Asset sales receivables correspond to the sale of the drill fleet and associated spare parts and consumables.

Accounts payable	<b>February 28,</b>	May 31,
	<b>2011 (\$)</b>	2010 (\$)
Commercial suppliers	<b>6,459</b>	6,719
Salaries, labor benefits and social security contributions	<b>2,297</b>	2,221
Income tax, mining royalties and other taxes	<b>3,961</b>	2,570
	<b>12,717</b>	11,510

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

(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

**3. Inventories**

	<b>February 28, 2011 (\$)</b>	May 31, 2010 (\$)
Finished metals	1,339	886
Ore in stockpiles	6,784	6,461
Gold in circuit	1,438	1,529
Materials and supplies	8,372	9,214
	<b>17,933</b>	<b>18,090</b>

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

	<b>February 28, 2011 (\$)</b>		
	<b>Cost</b>	<b>Accumulated Amortization and Depletion</b>	<b>Net Book Value</b>
<b>Land and lease rights</b>	1,691	147	1,544
<b>Plant and equipment</b>	38,570	28,527	10,043
<b>Mineral properties</b>	43,016	31,774	11,242
	<b>83,277</b>	<b>60,448</b>	<b>22,829</b>
	May 31, 2010 (\$)		
	Cost	Accumulated Amortization and Depletion	Net Book Value
Land and lease rights	1,691	0	1,691
Plant and equipment	34,516	26,238	8,278
Mineral properties	38,976	30,188	8,788
	<b>75,183</b>	<b>56,426</b>	<b>18,757</b>

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

(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

**4. 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 \$ 1,045 (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 Deepes (\$ 5,996), the deep extensions of the San Gregorio mine (\$ 1,498) and resource definition work for Zapucay, Sobresaliente and Santa Teresa pits (\$ 3,748)

**5. Deferred Exploration**

Movements on deferred exploration are shown hereinafter:

	<b>For the nine months ended February 28,</b>	For the financial year ended May 31,
	<b>2011 (\$)</b>	2010 (\$)
Balance at beginning	<b>24,850</b>	12,437
Cash payments for exploration expenditure	<b>7,028</b>	8,317
Acquisition of Fortune Valley	<b>0</b>	10,934
Reclassification to Mine properties	<b>(2,507)</b>	(6,224)
Exploration expenses written off	<b>(2,489)</b>	(614)
Balance at end of the period	<b>26,882</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 nine month period ended February 28, 2011:

- In June 2010, the Company entered into an Option Agreement with Minerales Cala S.A. ("Minerales Cala") which provides Minerales Cala the right to earn up to 80% interest on the Company's Chamizo gold project in Southern Uruguay. Minerales Cala is committed to spend \$ 150 in exploration work within a period of twenty four months 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%.

**February 28, 2011**

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## **5. Deferred Exploration – continued**

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- In 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. Gladiator has already earned its first 20% interest in the Isla Cristalina iron ore, manganese ore and base metals prospects in Uruguay after expending in excess of \$ 1,000 in these prospects.

The Uruguay Mining legislation requires all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration activities. The Company has facility agreements with Uruguayan local insurance companies and banks to support the required guarantees. The total guarantees provided at February 28, 2011 to support exploration activities on tenements granted were \$ 4,235 (May 2010 - \$ 3,823).

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## **6. Equity Instruments**

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- (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 to reflect the responsibility of the particular optionee and his or her contribution to the business and activities of the Company. Options granted under the plan have a term of up to 5 years. Except in specified circumstances, options are not assignable and terminate on the optionee ceasing to be employed by or associated with the Company. The terms of the Plan further provide that the price at which shares may be issued under the Plan cannot be less than the market price (net of permissible discounts) of the shares when the relevant options were granted. One third of options granted vest on the date of grant, one third on the first anniversary from granted and one third on the second anniversary from granted.

During the quarter the Company issued 150,000 options at an exercise price of CDN\$ 1.20 per option. For the nine month period ending February 28, 2011 an amount of 2,105,000 options were granted at a weighted average exercise price of CDN\$ 0.76 per option. During the quarter and nine month period ended February 28, 2011, \$ 164 and \$ 585 of compensation expense was recorded respectively (February 28, 2010 \$ 73 and \$ 377). At February 28, 2011 the aggregate unamortized value of unvested stock options amounted to \$ 488 (May 31, 2010 - \$ 124).

The weighted average fair values of all stock options granted for the nine months ended February 28, 2011 were CDN\$ 1.22 (May 31, 2010 – CDN\$ 0.91), estimated as of the date of grant using the Black-Scholes option pricing model with the following average assumptions:

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

(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

**6. Equity Instruments – continued**

	Nine months ended February 2011	Financial year ended 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 119%	Range of 105% to 106%
Risk-free interest rate	Range of 1.42% to 1.70%	Range of 1.19% to 1.30%
Dividend yield	Nil	Nil

The following table summarizes information regarding the Company's outstanding options as at February 28, 2011:

	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
Options – granted	2,105	\$0.395 - \$1.20	\$ 0.76
Exercised	(411)	\$0.395 - \$0.75	\$0.56
Forfeited	(520)	\$0.38 - \$4.62	\$2.06
Balance at February 28, 2011	<u>3,924</u>	\$0.395 - \$5.50	\$1.35

<b>Outstanding</b>				<b>Exercisable</b>	
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 \$
132	0.00 – 0.40	0.40	4.17	44	0.40
424	0.41 – 0.60	0.60	1.47	424	0.60
494	0.61 – 0.74	0.61	3.63	329	0.61
1,927	0.75 – 1.00	0.76	4.42	718	0.79
858	1.01 – 4.00	3.18	1.81	758	3.44
89	4.01 – 5.50	5.25	0.16	89	5.25
<u>3,924</u>	<u>0.395 – 5.50</u>	<u>1.35</u>	<u>3.33</u>	<u>2,362</u>	<u>1.74</u>

At February 28, 2010 there were 3,924,053 options outstanding, of which 2,361,762 are exercisable. The weighted average exercise price of the options outstanding at February 28, 2011 is CDN\$ 1.35 (May 31, 2010 CDN\$ 2.04).

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

(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

**7. Segment Information**

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

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
<b>For nine months ended February 28, 2011</b>					
Net Sales	56,415	0	0	0	56,415
Depreciation	(5,314)	(308)	(9)	0	(5,631)
Net interest and rehabilitation accretion	(149)	0	(12)	0	(161)
Income tax provision	(2,769)	0	0	0	(2,769)
Net income (loss)	18,317	(4,265)	(10)	(1,564)	12,478
Capital Expenditure	6,877	3,925	3,897	0	14,699
<b>For three months ended February 28, 2011</b>					
Net Sales	21,618	0	0	0	21,618
Depreciation	(1,974)	(39)	(3)	0	(2,016)
Net interest and rehabilitation accretion	(77)	0	(12)	0	(89)
Income tax provision	(1,838)	0	0	0	(1,838)
Net income (loss)	9,887	(2,981)	(16)	(604)	6,286
Capital Expenditure	4,497	1,741	1,758	0	7,996
<b>As at February 28, 2011</b>					
Property, plant and equipment and mineral properties	22,365	172	292	0	22,829
Deferred exploration	0	10,312	16,570	0	26,882

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

(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

**7. Segment Information – continued**

	Gold	Exploration Uruguay	Exploration Chile	Corporate	Total
<b>For nine months ended February 28, 2010</b>					
Net Sales	40,461	0	0	0	40,461
Depreciation	(7,509)	(356)	0	0	(7,865)
Net interest and rehabilitation accretion	(190)	0	0	0	(190)
Income tax recovery	1,014	0	0	0	1,014
Net loss	(1,470)	(1,802)	0	(1,130)	(4,402)
Capital Expenditure	5,240	4,685	889	0	10,814
<b>For three months ended February 28, 2010</b>					
Net Sales	13,152	0	0	0	13,152
Depreciation	(2,116)	(112)	0	0	(2,228)
Net interest and rehabilitation accretion	(43)	0	0	0	(43)
Income tax provision	(574)	0	0	0	(574)
Net loss	(2,039)	(527)	0	(354)	(2,920)
Capital Expenditure	1,191	1,311	889	0	3,391
<b>As at February 28, 2010</b>					
Property, plant and equipment and mineral properties	13,530	666	0	0	14,196
Deferred exploration	0	15,636	9,647	0	25,283

**8. Statements of Cash Flows**

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

	Three months ended February 28		Nine months ended February 28	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Prepaid expenses and other	(124)	115	107	56
Accounts receivable	(2,207)	1,117	(1,129)	(141)
Accounts payable and accrued liabilities	3,154	(62)	1,207	2,982
Inventory	(1,804)	50	157	1,317
Net change in non-cash working capital balances	(981)	1,220	342	4,214

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

(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

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

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(b) Other information

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>February 28</b>		<b>February 28</b>	
	<b>2011 (\$)</b>	<b>2010 (\$)</b>	<b>2011 (\$)</b>	<b>2010 (\$)</b>
Cash interest paid	<b>1</b>	<b>9</b>	<b>7</b>	<b>36</b>
Cash taxes paid	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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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 to 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.

**Orosur Mining Inc.**  
**Notes to Consolidated Interim Financial Statements**  
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(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

**9. Financial Instruments - continued**

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

- (c) Fair value: The Company's financial instruments include cash and cash equivalents, receivables, accounts payable, accrued liabilities and debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.
- (d) Credit risk: The Company is exposed to credit risk with respect to managing its cash position. This risk, from deposit granting institutions and/or commercial paper issuers, is mitigated by using well capitalized financial institutions. Credit risk relating to accounts receivable arises from the possibility that any counterparty to an instrument may fail to perform. The Company currently transacts with highly-rated counterparties for the sale of gold.
- (e) Capital management: The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The strategy remains unchanged from 2007. The Company will raise capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

**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>Nine months ended</b>	
	<b>February 28,</b>		<b>February 28,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Basic earnings (loss) per share</b>				
Numerator				
Net earnings (loss) available to shareholders	6,286	(2,920)	12,478	(4,402)
Denominator				
Weighted average shares outstanding	65,195,333	59,177,493	64,978,650	52,170,543
<hr/>				
Basic earnings (loss) per share (cents per share)	0.10	(0.05)	0.20	(0.08)

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

(Thousands of United States Dollars, except where indicated)

**February 28, 2011**

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

Diluted earnings per share	Three months ended February 28,		Nine months ended February 28,	
	2011	2010	2011	2010
Numerator				
Net earnings (loss) available to shareholders	6,286	(2,920)	12,478	(4,402)
Denominator				
Weighted average shares outstanding	65,195,333	59,177,493	64,978,650	52,170,543
Potential net incremental issue of shares from stock options	1,269,244	0	427,819	0
Shares outstanding plus assumed conversions	66,464,577	59,177,493	65,406,469	52,170,543
Diluted loss per share (cents per share)	0.10	(0.05)	0.19	(0.08)

Basic earnings (loss) per common share ("EPS") has 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 three month and nine month periods ended February 28, 2011 were CDN\$1.23 and CDN\$ 0.79 respectively (Year end May 2010 - CDN\$0.44).