OROSUR MINING

News Release

# Orosur Mining Inc. Announces Results for the Second Quarter Ended November 30, 2011

SANTIAGO, Chile January 12, 2012. **Orosur Mining Inc.** ("OMI" or "the Company") (TSX VENTURE:OMI) (LSE: OMI), today announced results for the second fiscal 2012 quarter ended November 30, 2011.

**Operating and Financial Summary**

| Key Results Summary[1] | | Three Months Ended November 30 | | Six Months Ended November 30 | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| **Operating Results** | | | | | |
| Gold produced | Ounces | 11,916 | 12,576 | 24,404 | 25,513 |
| Average cash operating cost | US$/oz | 1,007 | 778 | 975 | 789 |
| Average price received | US$/oz | 1,717 | 1,332 | 1,663 | 1,268 |
| **Financial Results** | | | | | |
| Revenue | $US '000s | 20,985 | 16,584 | 42,011 | 34,797 |
| Net income for the period | $US '000s | 2,565 | 2,784 | 6,977 | 6,310 |
| Cash flow from operations[2] | $US '000s | 4,651 | 5,100 | 10,223 | 10,510 |
| Cash at the end of the period | $US '000s | 17,054 | 13,939 | 17,054 | 13,939 |
| Total Debt at the end of the period [3] | $US '000s | 5,067 | 25 | 5,067 | 25 |

[1]*Results are based on IFRS and expressed in US dollars*
[2]*Before non-cash working capital movements*
[3] *excluding deferred Talca payment*

David Fowler, Chief Executive Officer commented:

"Production for 2012 is expected to be on target at 57,500 to 60,000 ounces despite a delay in receiving permits to commence production from Arenal Deeps. This has affected production for the quarter, however, excellent progress is now being made in the development of Arenal Deeps.

"A preliminary economic assessment prepared by AMEC for Pantanillo has shown a positive pre-tax NPV of US$32 million at a discount rate of 8 per cent and a gold price US$1,200. With exploration upside to define additional resources and further opportunities to improve the project, Pantanillo has the potential to develop into a high quality production asset for Orosur."

## Highlights

### Production

- The Company's target production for the year remains unchanged at 57,500 to 60,000 ounces, however, production for the quarter was 11,916 ounces of gold which was below the Company's expectations of 12,750 to 13,250 ounces. Permission to start production at Arenal Deeps was received in December.

- Cash operating cost for the quarter was US$1,007 per ounce of gold which was above expectations due to lower production levels.
- Excellent progress has been made on development of the Arenal Deeps underground mine with 1,388 metres of decline and access development along with 446 metres of ore development completed to the end of November 2011.

**Financial**

- Revenue for the quarter was US$ 21.0 million (US$ 16.6 million in Q2 of 2010/11), an increase of 26 per cent with realized gold price up significantly to US$ 1,717 per ounce (US$ 1,332 per ounce in Q2 of 2010/11)
- Net profit after tax for the quarter was US$ 2.6m (US$ 2.8m in Q2 of 2010/11).
- Cash flow from operations for the quarter was US$ 4.7m (US$ 5.1m in Q2 2010/11).
- Cash balance at the quarter end of US$ 17.1m (US$ 13.9m in Q2 2010/11)

**Exploration and development**

- AMEC has completed an independent preliminary economic assessment of the current Pantanillo resource. The financial analysis undertaken was based on a gold price of US$1,200 per ounce. The resulting before tax NPV at an 8 per cent discount rate is US$32 million.
- A consortium made up of OMI and the LUMAX S.A. received a water exploration permit from the Chilean Water authority DGA for its Pantanillo Project in Chile.
- First pass drilling at Talca was focused on the northern section of the Metalera Fault and Niebla vein. Drilling in the central and southern sections of the Metalera which has seen the most significant historical production is planned for the third quarter of 2012. Limited drilling was completed in these sectors during the quarter as drill platforms were built.

## Production and Costs

Production for the quarter was 11,916 ounces of gold which is 5.5 per cent lower than the corresponding quarter of the previous year of 12,576 ounces. This production level is below the Company´s expectations of 12,750 to 13,250 ounces for the quarter. This shortfall was mainly due to the delay in receiving the permission to commence stoping for the Arenal Deeps mine from the Uruguayan mines department DINAMIGE, which subsequently resulted in lower than planned head grade fed to the mill. The underground mine at Arenal Deeps is expected to deliver higher grade ore (average of 2.87 g/t over its LOM) compared to ore being mined from current open pits. A permit to stope the first two levels was received on December 19th 2011, approximately six weeks behind schedule, and stoping has commenced. All requirements to receive the final permit for mining all levels have been complied with. The final inspection is scheduled for mid-January with the full permit expected by the end of January.

Excellent progress has been made at the Arenal Deeps underground mine development, with 1,388 metres of decline and access development along with 446 metres of ore development being completed to the end of November 2011. The main ventilation shaft broke through to surface in November 2011. Civil works for the main fans was completed in December 2011 and the ventilation system has been commissioned. With production commencing in the room and pillar sections and development being on schedule, the Company plans to recoup the shortfall in production in the second half of the year.

Cash operating cost for the quarter was US$1,007 per ounce of gold which was above expectations due to lower production levels. The increase when compared to the prior year cost of US$778 per ounce of gold was mainly attributable to the lower grade of ore mined as a result of lower production levels and increased costs due to inflation in Uruguay and transportation costs, as in this quarter the Company has been mining from satellite pits (Argentinita and Sobresaliente) further away from the San Gregorio plant. The grade processed for the quarter was 9 per cent lower than the corresponding quarter of the previous financial year.

As had been expected, a new law was published in Uruguay on November 4, 2011 introducing amendments to the current Mining Code. The most significant amendment was the change in the production royalty. The production royalty for metallic minerals was changed to 5 per cent (2 per cent to land owner and 3 per cent to the State) of sale value. This compares to the previous royalty rate which was 5 per cent to 8 per cent of the mouth of mine value of the ore.

Capital expenditure commitments for Arenal Deeps remain in accordance with budget. The tailings closure and new tailings construction projects are advancing well and are expected to be completed during January 2012, slightly behind schedule due to high rainfall during the quarter, but still ahead of schedule for the expected start date to use the facility of March 2012.

The Company's forecast gold production for the 2011/2012 financial year remains in the range of 57,500 to 60,000 ounces at an operating cash cost per ounce of approximately US$810 per ounce. Production is forecast to increase in the second half of the year as Arenal Deeps starts contributing to output and planned higher grade ore is accessed from open pit sources. Variations in production and costs between quarters will occur as the mine plan draws ore from several pits at different grades and stages of stripping and the company manages its mine plans to achieve production and cost targets over the course of the year.

## Financial Performance

Net profit after tax for the quarter was US$2.6 million. Higher prices, lower production and higher costs and taxes are the main variances compared to net profit of US$2.8 million in the same quarter of last year. The average price of gold sold increased from US$1,332 per ounce in the second quarter, 2010/11 to US$1,717 per ounce in the second quarter, 2011/12.

The Company generated US$4.7 million in cash flow from operations during this quarter. Capital expenditures for the quarter were US$4.5 million on exploration, including the Talca payments of US$1.3 million, and US$9.3 million in property plant and equipment mostly on Arenal Deeps development and the construction of the new tailings dam.

OMI ended the quarter with US$17.1 million in cash compared to US$14.2 million at the beginning of the financial year. Cash levels were in accordance with expectations and at 30 November 2011 the Company has US$ 5.1 million debt. A financing facility of US$ 5.5 million established with HSBC to finance Arenal Deeps equipment is expected to be fully drawn during the third quarter of 2012.

## Pantanillo Chile

### Exploration

Field work commenced in December 2011, focused on discovering further satellite deposits within the Pantanillo licence around the Pantanillo Norte orebody. Pantanillo Central, Quebrada Pantanillo and Oro 52 are the main target areas where surface sampling / mapping and drilling will occur during the 2012 field season.

Areas were identified for a low detection limit geochemical soil sampling programme with up to 2,000 samples to be collected over grids of 100 x 100 metres. A 2,000-3,000 metre Reverse Circulation (RC) drill programme is planned to commence in February 2012.

### Pantanillo Development

OMI contracted AMEC International Ingenieria y Construccion Limitada (AMEC) to prepare an updated NI 43-101 Technical Report on the wholly-owned Pantanillo Norte Project, located in the III Region, Northern Chile.

The Technical Report discloses a Mineral Resource estimate for the Project, which supported a Preliminary Economic Assessment. The Life of Mine (LOM) plan was based on the resources disclosed with effective date of July 9, 2010, which were reported at a commodity price of US$1,035 per ounce of gold.

| Summary of Financial Parameters | Unit | LOM |
|---|---|---|
| Gold Mineable | oz 000 | 686 |
| Total Cash Cost | US$/oz | 581 |
| Net Present Value @ 8% | US$ million | 32.2 |
| Discounted CAPEX | US$ million | 167 |
| Internal Rate of Return | % | 17 |
| Gold Production | Average Annual Ounces ‘000 | 96 |

The financial results indicated a five-year mine life, with net present value of US$32 million (before tax) and IRR of 17 per cent. The gold price assumption for the PEA was constant at US$1,200/oz. No other metals were considered payable.

Further details of project economics is detailed in a press release on Pantanillo dated 12 January 2012.

### Water Requirements

OMI announced on November 9, 2011 that the Consortium made up by OMI and the LUMAX S.A. received a water exploration permit from the Chilean Water authority DGA for its Pantanillo Project in Chile. This latest advancement represented a significant development in the overall permitting process for the project. The consortium has since requested a proposal from Geohidrología Consultores in Chile to conduct exploration work. During the second half of fiscal 2012 geophysics and approximately 2,000 metres of RC exploration drilling will be conducted.

**Talca – Chile**

On August 30, 2011 OMI announced that it signed a definitive acquisition agreement for 100 per cent interest in the Talca gold property ("Talca") in Chile's Region IV. The Company and the vendors agreed to create a new company ("SCM") to act as a holding company for the licenses covering Talca.

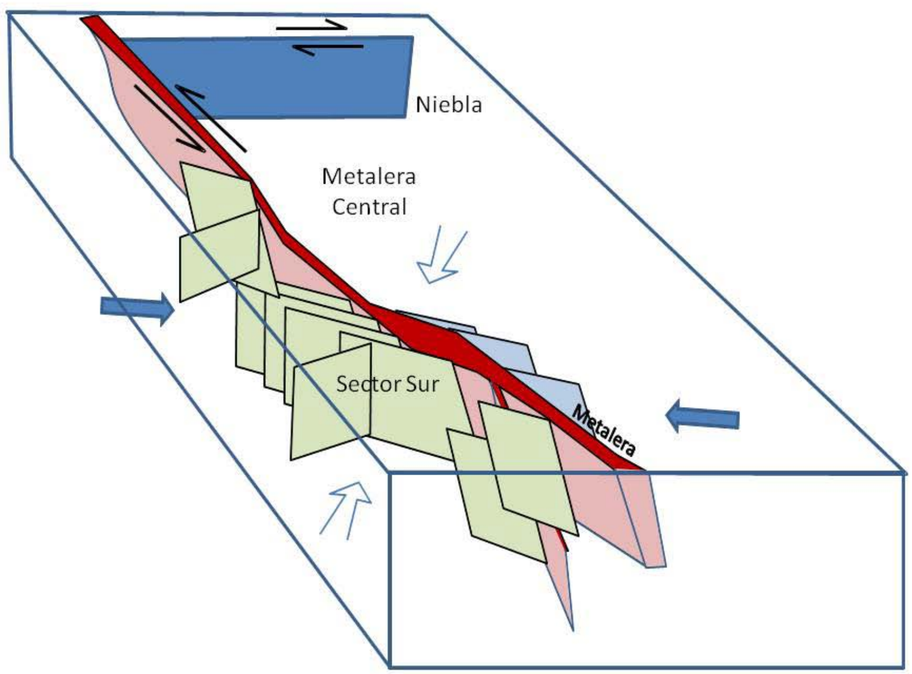
Talca is located 375km north of Santiago in Region IV of northern Chile and covers 1,680 hectares. The property is located 15 km to the west of Ruta 5 along the Chilean Pacific coast line in the Coastal Cordillera. The Tello family has owned and operated the property for approximately 40 years, having produced an estimated 300,000 ounces of gold during this time. Structural and alteration mapping, completed in the second quarter by consultant Nick Oliver of Holcombe, Coughlin & Oliver Associates (HCO), has confirmed gold-bearing structures and veins associated with faulting and pre to syn-mineralization andesite and basalt dykes on the property. These mineralized structures and veins are hosted in several rock types including meta-sediments in the form of quartzites and gneisses as well as meta-igneous mafic to ultramafic foliated amphibolites.

The principal structural controls on the property are two NNW (320° - 350°) trending shear/fault zones, the Metalera Fault and Monica Fault, 2-4 metres wide and between 0.7 and 1.2 km apart, that can be traced from 4 to 8 killometres along the strike. Secondary structural control is marked by multiple ESE/WNW (270° - 310°) striking quartz veins 0.3 – 2 metres wide. Gold has been historically mined on both of these structural systems to depths of up to 250 metres. Production grades between 10 – 20 g/t gold have been reported. Visible gold is common. Although significant artisan mining has been undertaken over the years at Talca, the project has never been explored with modern technology and practices.

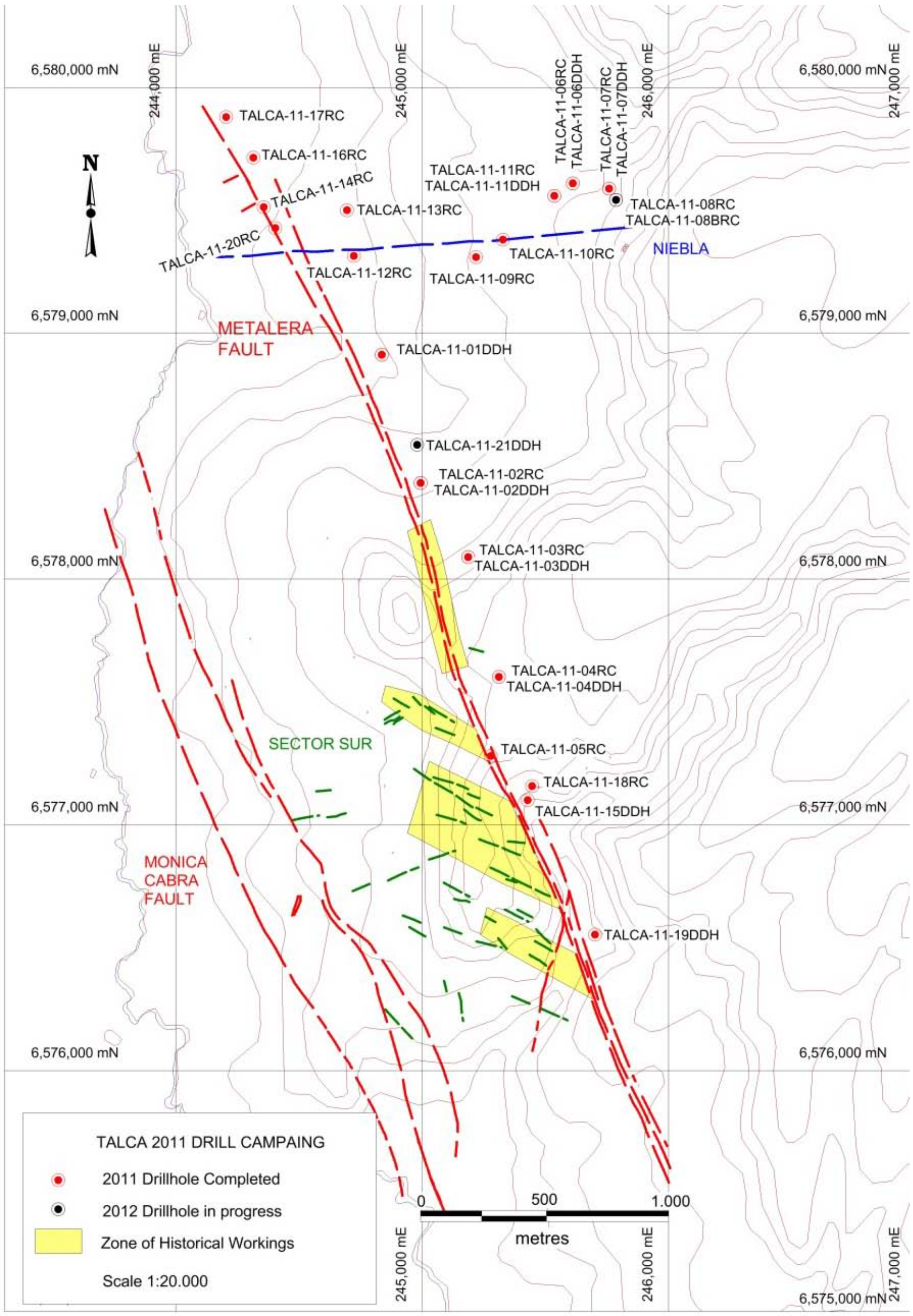
After a program of ground, mapping, and surface and underground sampling drilling commenced at the end of September 2011 with an initial planned 22 holes for a total of 4,158 metres of combined RC (2,687 metres) and diamond (1,471 metres) drilling. This first pass campaign planned to drill test the northern portion  of the Metalera Fault system and parts of the Niebla vein. The most significant results reported from 20holes assayed to date from this preliminary drilling in 2011 are summarized as follows:

| Zone | Hole ID | From (m) | To (m) | Au g/t | Interval |
|---|---|---|---|---|---|
| Metalera Central | Talca-11-03DDH | 170 | 176 | 0.64 | 6m @ 0.64 g/t Au |
| Niebla | Talca-11-10RC | 133 | 136 | 1.1 | 3m @ 1.1 g/t Au |

The majority of the holes drilled were in the newly discovered northern portion of the Metalera Fault (seven holes) and easily accessable parts of the Niebla vein (ten holes) which had been mined over 120 metres of strike. Only limited drilling was done in the central and southern sectors of the property due to the need to identify and prepare drill platforms. During the current quarter the Company plans to target the down dip extent of previously worked sections of the Metalera, in the central zone, and in Sector Sur down dip of previously worked splay veins off the Metalera. Historically these two areas where reported as producing the greatest volume and highest grade gold. Historical workings in these sectors are known to go down to vertical depths of around 120 metres below surface. The stylized image, from the HCO structural report, below gives a 3-D image of the target zones in Sector Sur and Metalera Central.



The primary focus of the 2012 campaign is to continue drilling down dip of the known mineralized structures around Sector Sur and Metalera Central. The map below shows the holes drilled to date by OMI.




As core drill samples are obtained and as results warrant, OMI will commence a metallurgical test work programme so that data is generated to support the engineering studies on the project in a timely manner. Environmental base line data collection commenced in the second fiscal quarter 2012 to support the permitting process. The property is fully licensed from the existing operations and it may be possible to submit an upgrade of the current environmental license, rather than a full application, which OMI expects will take less than a year following submission to relevant authorities. The Company's objective is to define the first Inferred NI-43101 resource calculation by mid calendar 2012.

**<u>Anillo – Chile</u>**

A review of the Anillo project has been completed during the quarter following the last deep RC drilling campaign in quarter one. This review has concluded that the targets generated in La Lengua and Anillo Central warrant additional testing together with Anillo West and Normandy. All of these areas show similar structural and alteration settings to Yamana's El Peñon mine and Pampa Victoria discovery.

Yamana recently announced that they plan to invest around US$ 25 million on exploration around El Peñon and Pampa Victoria. This level of investment around the vicinity of OMIs Anillo property further highlights the need to continue working in the area.

More detailed mapping in the Anillo West will be undertaken, and by mid calendar 2012 further trenching will be completed in order to define a drill campaign. Follow up work will be completed around the sparse drilling that was undertaken in La Lengua, Anillo Central and Normandy, to define additional drill targets in each of these sectors.

**<u>Uruguay Exploration</u>**

Exploration for the quarter focused on San Gregorio, Santa María, Ombú, Picaflor and Rocha.

**San Gregorio**

During the quarter drilling results were compiled, all QA/QC work was completed and results were sent to Mine Development Associates (MDA) who are preparing an updated NI 43-101 compliant, Technical Report for San Gregorio to be released in the second half of fiscal 2011/2012.

The San Gregorio deposit includes the San Gregorio Main, Rieles and San Gregorio East pits and has historically produced in excess of 500,000 ounces. Infill drilling was designed to provide a resource update and allow optimization work to be completed in order to establish if the remaining ore zones should be mined by open pit, underground mining methods or a combination of both. A non compliant NI 43-101 preliminary economic analysis is in progress to assess this opportunity and will be released in the second half of this fiscal year. Feasibility work planned during the remainder of fiscal 2012 will be incorporated into an updated reserve and mine plan. The plan is to incorporate any extra reserves into the 2012 reserve disclosure.

**Santa María**

Drilling in the second quarter was previously reported. The last hole of the drill campaign SMRC026 intercepted 2 metres at 5.56 g/t from 37 metres. During the second half of 2012 a resource and reserve will be estimated for Santa Maria.

**Ombú**

The Ombú project is 100 metres west from the west end of the San Gregorio resource. It has historically produced 272,000 tonnes at 1.54 g/t for 13,500 ounces from a small open pit. Two exploration targets have been identified adjacent to the Ombu pit, Ombú East and Ombú West.

Ombú East is a 75 metres wide by 100 metres deep zone of mineralization to the east of the main mineralized body mined in the Ombú pit and is probably connected to it. Even though this is referred to as a lens, it is connected and continuous along strike of the Ombú pit and Ombú West mineralization. An RC drill programme of 600 metres in 5 holes at Ombú East was successfully completed in September 2011 testing the East zone continuity and defined the mineralized limits.

The Ombú West zone is the down dip and along strike extension of the Ombú Pit mineralization. An RC drill programme of 630 metres in 4 holes tested this west zone and another drill campaign is required to define the limits of the mineralization. There is potential for more high grade intersections as the mineralization is open both at depth and further to the west.

An In-house resource model is being developed for both targets combining previous drill results with the latest campaign.

Notable Results from this drill campaign are reported in the following table:

**RC drilling**

| Zone | Hole id | From (m) | Intercept (metres @ Au g/t) | Notes |
|---|---|---|---|---|
| Ombu East | OZRC023 | 114 | 3 @ 2.13 | incl. 1m @ 5.87g/t |
| Ombu East | OZRC024 | 73 | 3 @ 1.14 | |
| Ombu East | OZRC025 | 29 | 5 @ 1.72 | incl. 1m @ 5.47g/t |
| Ombu East | OZRC026 | 87 | 4 @ 4.89 | incl. 1m @ 3.26g/t |
| Ombu East | OZRC026 | | | incl. 1m @ 5.20g/t |
| Ombu East | OZRC026 | 100 | 7 @ 2.06 | incl. 1m @ 13.70g/t |
| Ombu West | OZRC028 | 140 | 11 @ 0.64 | incl. 1m @ 2.31g/t |
| Ombu West | OZRC030 | 90 | 4 @ 2.65 | incl. 1m @ 3.63g/t |
| Ombu West | OZRC031 | 103 | 3 @ 12.62 | incl. 1m @ 3.82g/t |
| Ombu West | OZRC031 | | | incl. 1m @ 31.89g/t |

* intercepts consider a cut-off grade of 0.4 g/t and may include up-to 2 metres of low grade

**Picaflor**

The Picaflor project is located 2.2km southeast of the town of Minas de Corrales and about 4.2 km east of the San Gregorio Plant. This mineralized zone comprises lensoid veins of quartz-pyrite developed along a sheared and brecciated contact between granite and metasediments.

An RC drill programme, completed in September 2011, better defined the continuity of the known mineralization and expanded the zone along strike. Individual mineralized lenses vary from 2 metres to 10 metres wide and dip60-70˚, and the vein system has been traced for 300 metres to the southwest. A total of 777 metres in 17 RC holes were completed in September and best intercepts are listed below:

**RC Drilling**

| Zone | Hole id | From (m) | Intercept (metres @ Au g/t) | Notes |
|---|---|---|---|---|
| East Pit | PIRC042 | 14 | 2 @ 1.85 | Incl. 1m@ 3.00g/t |
| East Pit | PIRC044 | 27 | 9 @ 3.36 | incl. 1m @ 5.20g/t |
| | | | | incl. 3m @ 6.437g/t |
| East Pit | PIRC049 | 19 | 3 @ 2.67 | Incl. 1m @ 5.93g/t |
| West Pit | PIRC053 | 40 | 7 @ 1.39 | incl. 1m @ 6.07g/t |
| West Pit | PIRC057 | 11 | 2 @ 3.44 | incl. 1m @ 5.14g/t |

* intercepts consider a cut-off grade of 0.4 g/t and may include up-to 2 metres of low grade

**Qualified Person's Statement**

The information presented in this press release has been reviewed by William F. Lindqvist, Director of OMI, Mr Luis Tondo, COO and Mr. Randall Corbett, General Manager, San Gregorio, and is considered to be in compliance with NI 43-101 reporting guidelines. Dr. Lindqvist holds a Ph.D. in Applied Geology from Imperial College, London, has been a member of the AusIMM for 46 years, and has had 40 years of experience in international minerals exploration and property evaluation. Mr Tondo holds a Master of Engineering Science Degree (from the University of Queensland, Australia, is a registered fellow of the Aus IMM and has over 23 years of international operational, metallurgy and development experience. Mr. Corbett has a Bachelor of Engineering (Mining) Degree from Technical University of Nova Scotia (T.U.N.S.), is a Professional Engineer (P. Eng.) registered in the Province of Ontario and has more than 30 years operational, engineering and development experience.

The Qualified Person for the mineral resource estimate on Pantanillo Norte is Dr. Armando Simon, M.AIG, R.P.Geo., Principal Geologist, AMEC Santiago and Ms Maria Angelica Gonzalez, Comisión Minera, Senior Mining Engineer/Senior Resource Modeler AMEC Santiago, Mr Marcelo Hernando, Comisión Minera, Principal Mining Engineer, AMEC Santiago and Ms Joyce Maycock, P.Eng., Project Manager, AMEC Santiago are the Qualified Person for the LOM plan development and PEA preparation. All of the people cited in this paragraph are independent of the Company as within meaning of NI 43-101.

**Forward Looking Statements**

All statements, other than statements of historical fact, contained or incorporated by reference in this news release, including any information as to the future financial or operating performance of the Company, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and the United States Private Securities Litigation Reform Act of 1995 and are based on expectations estimates and projections as of the date of this news release. There can be no assurance that such statements will prove to be accurate, such statements are subject to significant risks and uncertainties, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements include, without limitation success of exploration activities; permitting time lines; the failure of plant; equipment or processes to operate as anticipated; accidents; labour disputes; requirements for additional capital title disputes or claims and limitations on insurance coverage. The Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events and such forward-looking statements, except to the extent required by applicable law.

**ENDS**

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

**About Orosur Mining Inc.**

Orosur Mining Inc. is a fully integrated gold producer and exploration company focused on identifying and developing gold projects in Latin America. The Company operates the only producing gold mine in Uruguay (San Gregorio), and has assembled an exploration portfolio of high quality assets in Uruguay and Chile. The Company is quoted in Canada (TSX-Venture Exchange: OMI) and London (AIM: OMI).
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**Financial Statements Follow**

**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 (Restated Note 18) |
| | **$** | $ |
| **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

**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 Restated Note 18 | **2011** | 2010 Restated Note 18 |
| | **$** | $ | **$** | $ |
| 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 |

(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) |
| | **4,651** | 5,100 | **10,223** | 10,510 |
| Net change in non-cash working capital balances (Note 10) | **4,674** | 1,426 | **3,228** | 1,323 |
| | **9,325** | 6,526 | **13,451** | 11,833 |
| **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) |
| | **1,224** | 121 | **16,433** | 118 |
| **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) |
| | **(13,781)** | (3,454) | **(27,008)** | (6,703) |
| **Increase (Decrease) in cash** | **(3,232)** | 3,193 | **2,876** | 5,248 |
| Cash at the beginning of period | **20,286** | 10,746 | **14,178** | 8,691 |
| **Cash at the end of period** | **17,054** | 13,939 | **17,054** | 13,939 |

(Thousands of United States Dollars, except where indicated)

| | Three months ended November 30, | | Six months ended November 30, | |
|---|---|---|---|---|
| | **2011** | 2010 Restated Note 18 | **2011** | 2010 Restated Note 18 |
| | **$** | $ | **$** | $ |
| **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 | **55,048** | 42,552 | **55,048** | 42,552 |
| **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 | **276** | 0 | **276** | 0 |
| **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 | **5,352** | 4,916 | **5,352** | 4,916 |
| **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 | **37,570** | 20,804 | **37,570** | 20,804 |
| Shareholders' equity at end of period | **98,246** | 68,272 | **98,246** | 68,272 |