

# Orsu Metals Corp. Interim Results for the Period Ended September 30, 2011 (Unaudited)

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LONDON, UNITED KINGDOM -- ([Marketwire](#) - Nov. 11, 2011) - [Orsu Metals Corporation](#) ("Orsu" or the "Company" or the "Group"), the dual listed (TSX:OSU)(AIM:OSU) London-based precious and base metals exploration and development company today reports its unaudited results for the period ended September 30, 2011.

A full Management's Discussion and Analysis of the results for the period ended September 30, 2011 ("MD&A") and Consolidated Financial Statements ("Financials") will soon be available on the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) or on the Company's website ([www.orsumetals.com](http://www.orsumetals.com)). Copies of the MD&A and Financials can be also be obtained upon request to the Company Secretary.

The Financials for the interim period ended September 30, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts are reported in United States Dollars unless otherwise indicated. Canadian Dollars are referred to herein as CAD\$ and British Pounds Sterling are referred to as GBP£.

The following information has been extracted from the MD&A and the Financials. Reference should be made to the complete text of the MD&A and the Financials.

## **BUSINESS REVIEW OF THE THREE MONTHS ENDED SEPTEMBER 30, 2011**

For the three months ended September 30, 2011 the Company continued to focus on its principle exploration project, the Karchiga Project and raised additional funds totalling \$6.83 million:

- The Company received the assay results from the central oxide/ transitional drilling program (the "Karchiga Central Oxide") and the infill drilling program of the North East sulphide (the "Karchiga North East Sulphide") undertaken between June to September 2011. The positive results obtained from the Karchiga Central Oxide means that it will now be included into the definitive feasibility study (the "Karchiga Definitive Feasibility Study") for the Karchiga Project due in December 2011. In addition, the Karchiga North East Sulphide programme carried out on the North East Ore body of the Karchiga Project when remodelled will increase the total tonnage in the indicated resource category which will form the basis for the economic modelling.

- The Company received an aggregate of US\$6.83 million in cash in September 2011: \$5.5 million in cash from the Open Joint Stock Company Polymetal ("Polymetal") as early and final settlement of its outstanding deferred consideration entitlement (the "Deferred Consideration Agreement"), pursuant to the sale and purchase agreement dated June 13, 2009 (the "SPA"), relating to the sale of the Varvarinskoye gold-copper project in Kazakhstan (the "Varvarinskoye Project"): a further \$1.33 million in cash was received following an agreement between its fifty five per cent (55%) owned subsidiary Lisburne Holdings Limited ("Lisburne") and the Tasbulat Oil Corporation LLP ("Tasbulat"), Kazakhstan, for the early and final settlement of Lisburne's oil royalty entitlement pursuant to the oil royalty agreement dated September 2, 1999 between Lisburne and Tasbulat (the "Tasbulat Oil Royalty Agreement").

For the three months ended September 30, 2011 the Company reported a net loss of \$2.7 million.

## **QUARTER HIGHLIGHTS**

- July 2011 – the Company announced the commencement of 1,700m infill drilling of the Karchiga Central Oxide and an additional 2,000m infill drilling of the Karchiga North East Sulphide as part of the ongoing definitive feasibility study for the Karchiga Definitive Feasibility Study.

- July 2011 - the Company announced that it has entered into the Deferred Consideration Agreement, with Polymetal to receive \$5.5 million in cash by the end of September 2011 as early and final settlement of its outstanding deferred consideration entitlement, pursuant to the terms SPA.

- September 2011 - the Company announced the on-schedule completion of 1,786m (46 holes) infill drilling

of the Karchiga Central Oxide and an additional 2,278m (26 holes) infill drilling of the Karchiga North East Sulphide.

- September 2011 - the Company announced that it had received an aggregate of US\$6.83 million in cash, consisting of US\$5.5 million in cash from Polymetal pursuant to the Deferred Consideration Agreement and US\$1.33 million in cash following for the Tasbulat Oil Royalty Agreement.

- September 2011 - the Company announced that it had received all final assay results from its 2011 infill drilling programme in the Karchiga Central Oxide and Karchiga North East Sulphide at its Karchiga Project.

## OPERATIONAL REVIEW

The Company's principal and most advanced exploration project is the property comprising a 47.3km<sup>2</sup> licence area in eastern Kazakhstan containing the Karchiga volcanogenic massive sulphide ("VMS") deposit (the "Karchiga Project"), which is part of the Rudny Altai polymetallic belt. The Company's other principal exploration asset is its property in northwest Kyrgyzstan, which is comprised of four licence areas within the Tien Shan gold belt: the Taldybulak, Barkol, Korgontash and Kentash licences (collectively, the "Talas Project"). Approximately 100km to the south west of the Talas Project is the Akdjol-Tokhtazan licence area comprising the Akdjol and Tokhtazan licences (the "Akdjol-Tokhtazan Project").

## KARCHIGA COPPER PROJECT, KAZAKHSTAN

### 2011 Exploration Programme

In April 2011 the Company received positive metallurgical test work results on both the Karchiga Central Oxide and Karchiga North East Sulphide mineralization of the Karchiga Project. Subsequently in May 2011, the Company released an updated pit constrained mineral resource estimate as part of the ongoing Karchiga Definitive Feasibility Study prepared by SRK Consulting (UK) Limited ("SRK") (the "SRK 2011 Mineral Resource Estimate") which showed an increased (pit constrained) mineral resource estimate from the previously reported pit constrained mineral resource estimate (the "Karchiga Scoping Study") prepared by Micon International co Limited ("Micon") in May 2010. Details of both the SRK 2011 Mineral Resource Estimate and the Karchiga Scoping Study can be found in the Company's MD&A under "Operational review – Karchiga Copper Project, Kazakhstan" or under the company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

In light of the positive heap leach metallurgical test work results for the Karchiga Central Oxide the Company believes there is the potential for including the Karchiga Central Oxide material into the Karchiga Definitive Feasibility Study. The infill sulphide drilling program completed on the Karchiga North East Sulphide will also allow the Company to increase the total indicated tonnage by upgrading sections which were previously categorized as inferred.

### 2011 Metallurgical test work results

The table below shows results from locked cycle tests performed on the Central and North East Composites from the Central and North East lodes, respectively, and the respective potential pits of the Karchiga deposit. The Central Composite is a blend of 15% massive and 85% disseminated mineralization, whereas the North East Composite is a blend of 25% massive and 75% disseminated mineralization.

Locked cycle test for the Central and North East Composites:

Lode	%Mass of Mineral-ization	%Cu Grade in Concn -trate	%Zn Grade in Concn -trate	g/t Au in Concn -trate	% Cu Recovery	% Zn Recovery	% Au Recovery
Central	10.34	24.15	1.28	0.34	96.20	73.97	28.18
North East	9.98	21.60	7.20	1.65	91.59	86.93	54.95

### Comparison with previous Pit-Constrained Estimates

The table below shows a comparison between the SRK 2011 Mineral Resource Estimates and previously reported mineral resource estimates in the Karchiga Scoping Study, both pit-constrained. The cut-off grade of 0.34% copper used in the mineral resource estimates in the Karchiga Scoping Study was back-calculated

based on the economic parameters used in the Karchiga Scoping Study and shown in the table below. It should be noted that the SRK 2011 Mineral Resource Estimates are reported without dilution and loss, while the mineral resource estimates contained in the Karchiga Scoping Study were reported allowing for 5% mining loss and 5% mining dilution.

#### Comparison of Pit-Constrained Mineral Resource Estimates for the Karchiga Project:

##### Indicated Mineral Resources

Estimate	Effective Date	Lode	Type	Cut-off Tonnes (Mt)	Grade
Cu (%)					
Cu (%)		Metal			
Cu (t)		Metal			
Cu (Mlb)					
SRK 2011	May 6, 2011			0.34	Central & North
East	Sulphide	7.1		1.85	131,789
Micon 2010	May 25, 2010			0.34	Central & North
East	Sulphide	6.5		1.97	127,804

##### Inferred Mineral Resources

Estimate	Effective Date	Lode	Type	Cut-off Tonnes	Grade
Cu (%)					
(Mt)					
Cu (%)		Metal			
Cu (t)		Metal			
Cu (Mlb)					
SRK 2011	May 6, 2011			0.34	North East
Micon 2010	May 25, 2010			0.34	North East

#### **Additional 2011 Oxide Drilling Programme**

In light of the positive heap leach metallurgical test results for the oxide mineral resources the Company believes there is the potential for including the Karchiga Central Oxide into the Karchiga Definitive Feasibility Study and for upgrading the inferred mineral resource estimate into an indicated mineral resource estimate for the Karchiga North East Sulphide, which is expected to maximize the additional value from the Karchiga Project.

In July 2011, the Company announced the commencement of a 1,700 m drilling programme at the Karchiga Central Oxide. As reported by the Company in the Karchiga Technical Report on March 22, 2010, the Karchiga Central Oxide has an indicated mineral resource of 0.93Mt of mineralization (at 0.5% Cu cut-off) grading 1.39% Cu and containing 12,868 t Cu. However, due to a relatively small tonnage, the Karchiga Central Oxide mineral resource estimate was not included in the economic evaluations contained in the Karchiga Scoping Study. The Karchiga Scoping Study proposed that the mineralized oxide material be mined as waste material during the first years of operation at the Central lode to allow access to its sulphide material. However, taking into account current copper prices and the positive results of the recent metallurgy test work, the Company believes that there is potential for the Karchiga Central Oxide material to be treated economically via heap leaching, and therefore potentially representing an important uplift in the economic value of the Karchiga Project. As a result of the inclusion of the oxide mineralization, the Company expects the Karchiga Definitive Feasibility Study to be completed in December 2011.

This Karchiga Central Oxide mineral resource estimate also included part of the 1 to 2 m thick transition zone of secondary sulphides (with chalcocite, covellite and native copper), located between the primary sulphide (chalcopyrite, pyrrhotite, pyrite) and oxide (malachite, chrysocolla, native copper) mineralization. Due to its insignificant thickness, the transition zone was not modelled as a separate mineralized body in previous mineral resource estimates for the Karchiga deposit. Based on the distribution of the >50% acid soluble copper, the top part of the transition zone was included into oxide mineralization, whereas the bottom portion was estimated as part of the sulphide mineralization. Additionally, the results of the most recent metallurgical test work announced by the Company (see the Company's press-release dated April 28, 2011) indicated that acid leaching of a blend of oxide and transitional secondary sulphide achieved 68% Cu recovery.

As announced in the Company's September 29, 2011 press release, the 2011 infill 1,786m (46 holes) in the Karchiga Central Oxide revealed better than expected continuity and much greater thickness and grade of the transition zone than was previously estimated.

The diagram below shows the principal relationships between the oxide, transition and primary sulphide

zones in the Central lode of the Karchiga deposit (full details can be found in the Company's MD&A under "Operational Review – Karchiga copper project, Kazakhstan"). Dashed blue line shows schematic position of the dividing line between heap leachable and floatable sulphides from the transition zone. The area above the 50% acid soluble Cu line is potentially amenable to heap leaching.

To view the diagram of the Karchiga deposit, please visit the following link:  
<http://media3.marketwire.com/docs/kco-fig1.pdf>

Below are the best grade intercepts obtained from the drilling in the Karchiga Central Oxide (a full table of all the intercepts can be found in the Company's MD&A in Table 13 of the "Operational review – Karchiga Copper Project, Kazakhstan"):

1.7m grading 7.43% Cu (Hole KGDD11-161);  
3.55m grading 6.61% Cu (Hole KGDD11-165);  
5.4m grading 5.00% Cu (Hole KGDD11-168);  
1.9m grading 33.00% Cu (Hole KGDD11-170);  
8.25m grading 2.66% Cu (Hole KGDD11-171);  
8.0m grading 3.90% Cu (Hole KGDD11-173);  
4.55m grading 1.75% Cu (Hole KGDD11-176);  
10.5m grading 3.94% Cu (Hole KGDD11-181);  
2.4m grading 23.60% Cu (Hole KGDD11-182);  
4.5m grading 6.43% Cu (Hole KGDD11-183);  
7.4m grading 4.18% Cu (Hole KGDD11-189);  
1.65m grading 5.81% Cu (Hole KGDD11-190);  
4.4m grading 4.86% Cu (Hole KGDD11-192);  
16.2m grading 7.22% Cu (Hole KGDD11-198);  
24.8m grading 2.86% Cu (Hole KGDD11-200).

### ***Additional 2011 Sulphide Infill Drilling Programme***

A 2,000m infill drilling programme in the Karchiga North East Sulphide was commenced in July, 2011 and aimed to convert between 0.5Mt and 1Mt of sulphide mineralization from inferred to indicated mineral resource categories. On September 1, 2011, the Company reported completion of 2,278m (26 holes) infill drilling of the Karchiga North East Sulphide and on September 29, 2011, announced all final assay results from this programme.

Assays on samples collected from the North East lode sulphide infill drill core returned results, which are generally as the Company had anticipated and can be seen in Table 14 in the Company's MD&A under the "Operational review – Karchiga Copper Project, Kazakhstan".

### ***Milestones for the Karchiga Project***

The milestones for the Karchiga Definitive Feasibility Study are expected to be:

Q2 2011 – finalisation of the metallurgical flow sheet (completed);  
Q2 2011 – updated NI 43-101 mineral resource, incorporating 2010 drilling results (completed);  
Q3 2011 – finalisation of metallurgical flow sheet for oxide heap leaching (completed);  
Q3 2011 – completion of oxide and sulphide drilling programmes (completed);  
Q4 2011 – completion of geological remodelling with the inclusion of the results from the new drilling;  
Q4 2011 – start of detailed mine design;  
Q4 2011 – completion of the locally commissioned Kazakh Feasibility Study and submission for approval;  
Q4 2011 – review of the Karchiga Project financing options;  
Q4 2011 – completion of the Karchiga Definitive Feasibility Study;  
Q1 2012 – approval of the Kazakh Definitive Feasibility Study and;  
Q2 2012 – start of construction.

## **TALAS COPPER-GOLD-MOLYBDENUM PROJECT, KYRGYZSTAN**

### **Exploration Programme**

Pursuant to the joint venture agreement dated December 3, 2008, as amended on August 14, 2009, between the Company, Gold Fields Orogen Holding BVI ("Gold Fields"), Lero, Kami Associates Limited (the "JV Company") and Talas Copper Gold LLC ("TCG") (the "JV Agreement"), Gold Fields is the project

operator for the Talas Project. Pursuant to the JV Agreement Gold Fields has a 60% interest in the Talas Project and is the project operator and the Company retains a 40% interest in the Talas Project.

For the Talas Project, Orsu and Gold Fields have approved a 2011 exploration programme and expenditure budget of \$3.6 million. As per the terms of the JV Agreement, the Company is required to fund its 40% pro rata share of approximately \$1.4 million. The majority of the licence expenditures are expected to be incurred in connection with environmental, social, metallurgical and resource studies, as well as a ground magnetic survey at the Taldybulak licence. As at September 30, 2011 the Company had contributed \$611,000 of its 40% share of expenditure.

## **AKDJOL-TOKHTAZAN PROJECT, KYRGYZSTAN**

### **2011 update on progress of the Akdol-Tokhtazan Project**

In July 2011, the Company initiated a ground magnetic survey programme at the Akdjol-Tokhtazan Project. The programme is designed to complete mapping of the magnetic anomalies in both the Akdjol and Tokhtazan licenses. In September 2011, the Company received preliminary results of the ground magnetic survey, which are currently being processed. The results are expected to help in interpretation of structural controls of gold mineralisation in the project area.

The Company mobilized drilling equipment in September 2011 and began a drilling programme consisting of 2,200 m of drilling at the Tokhtazan licence and 600 m of drilling at the Akdjol licence which is expected to be completed by the end of the year. In order to complete the planned drilling programme the Company has estimated potential drilling costs of \$659K for the Tokhtazan licence and \$91K for the Akdjol licence to meet the obligations which will be funded from the Company's available funds.

### **FINANCIAL RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011**

For the three months ended September 30, 2011 the Company recorded a net loss of \$2.7 million.

The net loss of \$2.7 million consisted of administrative costs of \$1.1 million, legal and professional expenses of \$0.3 million, exploration costs of \$1.7 million, a stock-based compensation charge of \$0.3 million, the Company's share of the Talas Joint Venture losses of \$0.3 and \$0.1 million net foreign exchange losses partially offset by a net gain on settlement of the Tasbulat Oil Royalty Agreement of \$0.9 million and unrealized derivative gains of \$0.2 million.

In September 2011, the Company received \$1.3 million cash per the Tasbulat Oil Royalty Agreement. The Company had previously recorded as long term other assets a brought forward value of its outstanding oil interest of \$0.4 million. Following the receipt of the outstanding oil interests of \$1.3 million the Company recognised net income of \$0.9 million for the three months ended September 30, 2011.

In respect of the Company's cash flows, cash and cash equivalents decreased by \$5.6 million in the nine months to September 30, 2011. The decrease of \$5.6 million for the nine months to September 30, 2011 was due primarily to the Karchiga Acquisition for approximately \$6.2 million, exploration expenditure primarily for the Karchiga Project of \$3.4 million, corporate expenditure of \$4.0 million and Orsu's pro-rata funding for the Talas Project of \$0.6 million, partially offset by deferred consideration received of \$7.0 million and settlement from the Tasbulat Oil Royalty Agreement of \$1.6 million (full details can be found in the Company's MD&A under "Financial Review").

### **FINANCIAL POSITION AS AT SEPTEMBER 30, 2011 AND DECEMBER 31, 2010**

As at September 30, 2011, the Company's net assets were \$35.4 million, compared with \$40.4 million as at December 31, 2010, of which \$14.0 million consisted of cash and cash equivalents (\$19.6 million as at December 31, 2010).

The decrease of \$5.0 million was due to the payment of \$6.2 million for the Karchiga Acquisition, the Company's 40% share of losses in the Talas Joint Venture of \$0.7 million and corporate and exploration expenditure of \$7.4 million partially offset by a \$6.1 million decrease in derivative warrant liabilities, deferred consideration income of \$1.9 million and income from the Tasbulat Oil Royalty Agreement of \$1.3 million.

A summary of the carrying value of the Company's equity investment in the Talas Joint Venture as at September 30, 2011 is set out below:

Fair value of equity investment as at January 1, 2011	\$ 10,3
Funding provided by the Company during the six months ended September 30, 2011	10,3
Less: Company's 40% share of operating losses for the six months ended September 30, 2011	10,3
Fair value of equity investment as at September 30, 2011	10,3

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2011 the Company's main source of liquidity was unrestricted cash of \$14.0 million, compared with \$19.6 million as at December 31, 2010.

The Company measures its consolidated working capital as comprising free cash, accounts receivable, prepayments and other receivables, less accounts payable and accrued liabilities. As at September 30, 2011, the Company's consolidated working capital was \$14.6 million (compared with a consolidated working capital of \$21.5 million as at December 31, 2010), which, in the Company's view, is sufficient to satisfy its working capital needs for the remainder of 2011.

The Company's working capital needs as at September 30, 2011 included the maintenance of the Company's interests in, and the further exploration and the development of, the Company's mineral properties in Kyrgyzstan, the completion of the Karchiga Definitive Feasibility Study, and the funding of general corporate, legal and professional expenses. The Company expects to fund the remaining working capital requirements for 2011 as well as the contribution towards the pursuit of future growth opportunities (which may include acquiring one or more additional assets), if and when such opportunities arise from its unrestricted cash of \$14.0 million as at September 30, 2011, which includes the \$5.5 million cash received in September 2011 from the Deferred Consideration Agreement and the receipt of \$1.3 million in September 2011 from the Tasbulat Oil Royalty Agreement.

The future advancement, exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, if any, will require substantial additional financing in the future. To the extent that such funding is required in the future, the Company expects that it would try to raise such funding through debt and equity financing if and when required. Whilst the Company has been successful in raising debt and equity financing in the past, the Company's ability to raise additional debt and equity financing may be affected by numerous factors beyond the Company's control, including, but not limited to, adverse market conditions and/or commodity price changes and economic downturn and those other factors that are listed under "Risks and Uncertainties" on the Company's MD&A.

## CONVERSION TO IFRS FROM CANADIAN GAAP

Effective January 1, 2011, the Canadian Accounting Standards Board required all publicly listed companies to prepare their financial statements in accordance with IFRS from the previous Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company has prepared in the interim financial statements as at September 30, 2011 a restated consolidated balance sheet as at September 30, 2010, and statements of net income/ (loss) and comprehensive income/ (loss) for the three and nine months ended September 30, 2010 (details can be found in note 3. "Transition to IFRS" of the Company's consolidated financial statements as at September 30, 2011).

### Impact on the consolidated balance sheet and equity

The following table summarises the impact of conversion to IFRS on the Company's consolidated equity, as previously reported under Canadian GAAP for the six months ended September, 2010 and the year ended December 31, 2010:

	September 30 2010	December 31 2010
	\$000	\$000
Equity as previously reported under Canadian GAAP as at January 1, 2010	24,833	24,833
Reclassification of share purchase warrants to derivative liabilities	(42,041)	(42,041)
Expense of share issue costs prior to January 1, 2009	(4,598)	(4,598)
Re-measurement of fair value of derivative warrant liabilities	35,411	35,411
Re-stated Equity under IFRS as at January 1, 2010	13,605	13,605
Share issue (net of share issue and broker warrant issue costs)	18,705	18,705
Share purchase warrants issued	1,131	1,131
Share based payments	1,440	1,440
Net loss as previously reported under Canadian GAAP for the period	(7,105)	(7,105)
Re-measurement of fair value of derivative warrant liabilities in period	9,840	9,840
Expense of share issue costs from 2010	(793)	(793)
Reversal of future income tax adjustments	-	-
Equity under IFRS	36,823	36,823

Details and further discussion of the impact of the significant accounting policy changes on transition to IFRS can be found both in the Company's MD&A under "Financial Review – Conversion to IFRS from Canadian GAAP" and the Company's consolidated financial statements note 3. "Transition to IFRS" as at September 30, 2011.

## DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative instruments consist of derivative assets in the form of deferred consideration relating to the sale of the Varvarinskoye Project, discontinued operations, and derivative warrant liabilities in relation to its share purchase warrants.

### Deferred consideration

On October 30, 2009, the Company completed the sale of its Varvarinskoye Project to Polymetal for an initial consideration of \$8 million with deferred consideration of up to \$12 million and, as a result, the Company was released from all of its financial and guarantor obligations relating to the Varvarinskoye Project.

As at December 31, 2010, the Company recognized a deferred consideration receivable asset of \$5.1 million, representing the net present value of the Company's estimated future deferred consideration earnings, based upon the Company's forecast of future gold and copper metal prices and adjusted for counterparty credit risk. Of the \$5.1 million deferred consideration receivable asset as at December 31, 2010 the Company recorded \$1.5 million as a current deferred consideration receivable and \$3.6 million as a long term deferred consideration receivable asset.

In July 2011, the Company entered into Deferred Consideration Agreement with Polymetal pursuant to which the Company is to receive \$5.5 million in cash by the end of September 2011 as early and final settlement of its outstanding deferred consideration entitlement, pursuant to the SPA relating to the sale of the Varvarinskoye Project. The Company received \$5.5 million in September 2011, and as a result recorded net deferred consideration income of \$1.9 million for the nine months ended September 30, 2011.

### Derivative warrant liabilities

In prior years the Company has issued listed share purchase warrants in conjunction with public offerings for the purchase of common shares of the Company. These share purchase warrants were issued with an exercise price in Canadian dollars, rather than U.S. dollars (the Reporting and Functional Currency (as defined in "Critical accounting policies and estimates" in the Company's MD&A) of the Company), were only issued to participants in these public share offering, are not able to be tracked by the Company and are transferable by the warranty holder. Such share purchase warrants are considered to be derivative instruments and the Company is required to re-measure the fair value of these at the reporting date. As at September 30, 2011 the Company calculated a fair value for its warrant derivative liabilities of \$0.2 million, and recorded an unrealized derivative gain to \$0.2 million to net income for the three months ended September 30, 2011.

Consolidated Statements of Net Income, and Comprehensive Income (Unaudited)

(Prepared in accordance with IFRS)

3 months ended September 30, 9 months ended

September 30,

2011 2010 2011 2010

\$000 \$000 \$000 \$000

(Expenses)/ income

Administration (1,074) (836) (2,708) (2,626)

Legal and professional (315) (501) (899) (1,800)

Exploration (1,767) (764) (3,446) (1,028)

Stock based compensation (289) (600) (481) (1,440)

Stock based compensation - non employees (2) (-) (37) (-)

Unrealized derivative gains/ (losses) 155 (2,588) 6,071 9,840

Foreign exchange (losses)/ gains (141) 498 (6) (378)

Net (loss)/ income from operations (3,433) (4,791) (1,506) 2,568

Deferred consideration income - - 1,908 -

Net gain on settlement of oil interests 942 - 942 -

Company's share of Talas Joint Venture losses (269) (271) (712) (656)

Finance income 22 22 53 30

Net income/ (loss) and comprehensive income/ (loss) for the period (2,738) (5,040) 685 1,942

Net income/ (losses) attributable to:

Shareholders of the Company (2,653) (4,817) 1,302 2,293

Non-controlling interest (85) (223) (617) (351)

(2,738) (5,040) 685 1,942

Earnings/ (loss) per share

Basic \$(0.02) \$(0.03) \$0.01 \$0.02

Diluted \$(0.02) \$(0.03) \$0.01 \$0.02

Weighted average number of common shares (in thousands) 157,696 157,696 157,696 114,209

Consolidated Balance Sheets (Unaudited)

(Prepared in accordance with IFRS)

September 30

2011 December 31

2010

Assets \$000 \$000

Current assets

Cash and cash equivalents 14,031 19,596

Current deferred consideration receivable - 1,500

Prepaid and receivables 1,342 1,217

15,373 22,313

Non-current assets

Deferred consideration receivable - 3,592

Exploration properties 10,458 10,458

Property, plant and equipment 416 449

Equity investment in Talas Joint Venture 10,120 10,221

Other assets - 392

20,994 25,112

Total assets 36,367 47,425

Liabilities

Current liabilities

Accounts payable and accrued liabilities 670 672

Current portion of derivative warrant liabilities 174 -  
844 672

Non-current liabilities

Derivative warrant liabilities - 6,245

Other liabilities 120 120  
964 7,037

Equity

Share capital 380,145 380,145  
Share purchase warrants 4,897 4,897  
Share purchase options 5,893 5,904  
Contributed surplus 23,012 22,483  
Non-controlling interest (374) (773)  
Deficit (378,170) (372,268)

35,403 40,388

Total equity and liabilities 36,367 47,425

Consolidated Statements of Cash Flows (Unaudited)

(Prepared in accordance with IFRS)

Nine months ended September 30,

2011 2010

\$000 \$000

Operating activities

Income for the period 685 1,942

Items not affecting cash:

Company share of Talas Joint Venture losses 712 656

Gain on settlement of oil interests (942) -

Depreciation and amortization 94 112

Deferred consideration (1,908) -

Share-based payments 518 1,440

Unrealized foreign exchange losses/ (gains) 13 (124)

Unrealized derivative gains (6,071) (9,840)

(6,899) (5,814)

Changes in non-cash working capital

Accounts receivable and other assets (373) (125)

Accounts payable and accrued liabilities (15) (317)

Net cash used by the operating activities (7,287) (6,256)

Cash flows from/ (used by) investing activities

Expenditures on property, plant and equipment (61) (42)

Proceeds from settlement of oil interests 1,582 241

Deferred consideration received 7,000 -

Funding of investment in Talas Joint Venture (611) (592)

Acquisition of Eildon minority interest (6,188) -

Net cash generated from/ (used by) investing activities 1,722 (393)

Cash flows from financing activities

Gross proceeds of share issue - 27,646

Share issue costs - (1,609)

Cash flows from financing activities - 26,037

Net (decrease)/ increase in cash and cash equivalents (5,565) 19,388

Cash and cash equivalents - Beginning of period 19,596 3,386

Cash and cash equivalents - End of period 14,031 22,774

Consolidated Statements of changes in Equity (Unaudited)

(Prepared in accordance with IFRS)

Consolidated statements of changes to equity as at December 31, 2010 and September 30, 2011:

Share capital

Number of shares

(000s') Share

capital

\$0000 Share

purchase

warrants

\$000 Share

purchase

options  
 \$000 Contributed  
 surplus  
 \$000 Non-controlling  
 interest  
 \$000 Deficit  
 \$000 Total  
 equity  
 \$000

Balance as at January 1, 2010 45,696 361,440 6,609 12,550 11,177 - (378,171) 13,605

Share issue 112,000 21,445 - - - - 21,445  
 Share issue costs - (1,862) - - - - (1,862)  
 Broker Warrant issue costs - (878) - - - - (878)  
 Share-based payments - - - 1,817 - - - 1,817  
 Share purchase warrants issued - - 1,131 - - - 1,131  
 Share purchase warrants lapsed - - (2,843) - 2,843 - - -  
 Share options forfeited or lapsed - - - (8,463) 8,463 - - -  
 Net income/ (loss) for the period - - - - - (773) 5,903 5,130

Balance as at December 31, 2010 157,696 380,145 4,897 5,904 22,483 (773) (372,268) 40,388

Share-based payments - - - 518 - - - 518  
 Share options forfeited or lapsed - - - (529) 529 - - -  
 Eildon minority interest acquisition - - - - - 1,016 (7,204) (6,188)  
 Net income/ (loss) for the period - - - - - (617) 1,302 685

Balance as at September 30, 2011 157,696 380,145 4,897 5,893 23,012 (374) (378,170) 35,403

#### **FORWARD-LOOKING INFORMATION**

This press release and the Company's MD&A contain or refer to forward-looking information. All information, other than information regarding historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Such forward-looking information includes, without limitation, statements relating to: the continued and future maintenance, exploration and development of the Company's properties, including the proposed work programs, anticipated milestones and the timing related thereto; development and operational plans and objectives; the Company's ability to satisfy its future expenditure obligations on mineral properties in which it has an interest; mineral resource estimates and updates and upgrades relating thereto as well as the impact thereof on the value of certain of the Company's projects; estimated project economics, cash flow, costs, expenditures, and sources of funding; the sufficiency of the Company's current working capital for the remainder of the year and anticipated exploration expenditures and estimates relating thereto; the estimated LOM, NPV and IRR for, and forecasts relating to tonnages and amounts to be mined from, and average recoveries and grades at, the Karchiga Project and/or Taldybulak as well as the other forecasts, estimates and expectations relating to the Karchiga Scoping Study, the SRK 2011 Mineral Resource Estimates, the NI 43-101 Taldybulak Scoping Study Report and the Taldybulak Scoping Study set out above in "Operational Review"; future prices and trends relating to copper, gold and molybdenum; the completion of the Karchiga Definitive Feasibility Study (and the expected mineral resource estimates to be included therein) and the potential start of construction at the Karchiga Project (including the expected timing for same); the anticipated completion of a mineral reserves estimate for, the production of marketable concentrates from, and a reduction in future transportation costs at, the Karchiga Project; estimates and expectations relating to the transition zone and the anticipated impact thereof on the economics and payback on Karchiga operations; the potential for further enlarging the mineral endowment and improving metal grades at, and completion of a pre-feasibility study for, the Taldybulak deposit; the Company's belief that the results from the mineralogical study relating to the Akdjol-Tokhtazan Project suggest that gold should be metallurgically accessible; the future political and legal regimes and regulatory environments relating to the mining industry in Kyrgyzstan and/or Kazakhstan; the expected use of the net proceeds from the Offering; the Company's expectations and beliefs with respect to the waiver of the State's pre-emptive right with respect to the Karchiga Project and the past placements of the Common Shares being covered thereby; the significance of any individual claims by non-Ontario residents with respect to the Claim; and the Company's future growth (including new opportunities and acquisitions) and its ability to raise new funding.

The forward-looking information referred to in this press release and the Company's MD&A reflects the

current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward-looking information contained in this press release and the Company's MD&A, the Company has made assumptions regarding, among other things, the Company's ability to generate sufficient funds from capital markets to meet its future expected obligations and planned activities, the Company's business (including the continued exploration and development of its properties and the methods to be employed with respect to same), the estimation of mineral resources (as set out above under "Operational Review"), the parameters and assumptions employed in the Karchiga Scoping Study, the SRK 2011 Mineral Resource Estimates, as well as in defining the pit optimization of the Karchiga deposit, the NI 43-101 Taldybulak Scoping Study Report and the Taldybulak Scoping Study, the economy and the mineral exploration industry in general, the political environments and the regulatory frameworks in Kazakhstan and Kyrgyzstan with respect to, among other things, the mining industry generally, royalties/MPTs, taxes, environmental matters and the Company's ability to obtain, maintain, renew and/or extend required permits, licences, authorisations and/or approvals from the appropriate regulatory authorities, that the waiver granted by the Competent Authority covers any pre-emptive right that the Competent Authority or State has in respect of any past placements, future capital costs and cash flow discounts, anticipated mining and processing rates, the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner and to engage international and Kazakh companies to carry out additional studies for the Karchiga Definitive Feasibility Study and to obtain Kazakh Feasibility Study approval, the treatment of the Varvarinskoye Project as discontinued operations, assumptions relating to the Company's critical accounting policies, that the Company has identified all of the key issues to be investigated in connection with the Karchiga Definitive Feasibility Study, and has also assumed that no unusual geological or technical problems occur, and that equipment works as anticipated, no material adverse change in the price of copper, gold or molybdenum occurs and no significant events occur outside of the Company's normal course of business.

Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: risks normally incidental to exploration and development of mineral properties; uncertainties in the interpretation of results from drilling and metallurgical test work; the possibility that future exploration, development or mining results will not be consistent with expectations; uncertainty of mineral resources estimates; uncertainty of capital and operating costs, production and economic returns; uncertainties relating to the estimates and assumptions used, and risks in the methodologies employed, in the Karchiga Scoping Study, the SRK 2011 Mineral Resource Estimates, the NI 43-101 Taldybulak Scoping Study Report and/or the Taldybulak Scoping Study and that the completion of additional work on the Karchiga Project and/or Taldybulak, as the case may be, could result in changes to the estimates relating to the Karchiga Scoping Study, the SRK 2011 Mineral Resource Estimates, the NI 43-101 Taldybulak Scoping Study Report and/or the Taldybulak Scoping Study, as applicable; a delay in the completion of the Karchiga Definitive Feasibility Study; the Company's inability to obtain, maintain, renew and/or extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the regulatory frameworks in Kazakhstan and Kyrgyzstan; adverse changes in the political environments in Kazakhstan and Kyrgyzstan and the laws governing the Company, its subsidiaries and their respective business activities; inflation; changes in exchange and interest rates; adverse changes in commodity prices; the inability of the Company to obtain required financing; adverse changes with respect to the Talas Joint Venture; adverse general market conditions; lack of availability at a reasonable cost or at all, of equipment or labour; inability to attract and retain key management and personnel; the possibility of non-resident class members commencing individual claims in connection with the Claim; the Company's inability to delineate additional mineral resources and delineate mineral reserves; and future unforeseen liabilities and other factors including, but not limited to, those listed under "Risk and Uncertainties" in this MD&A.

Any mineral resource figures referred to in this press release and the Company's MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the mineral resource estimates in respect of its properties are well established, by their nature mineral resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such mineral resource estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Karchiga Scoping Study, the NI 43-101 Taldybulak Scoping Study Report and/or the Taldybulak Scoping Study are preliminary in nature, and include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions of the Karchiga Scoping Study,

the NI 43-101 Taldybulak Scoping Study Report and/or the Taldybulak Scoping Study will be realized.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

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