

Orosur Mining Inc.
Condensed Interim Consolidated Financial Statements
For the three months ended August 31, 2017

Notice to the reader

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

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Orosur Mining Inc.
Condensed Interim Consolidated Statements of Financial Position
Thousands of United States Dollars, except where indicated

	NoteRef.	As at August 31, 2017 (\$)	As at May 31, 2017 (\$)
Assets			
Cash		4,533	3,357
Accounts receivable and other assets	3	1,381	1,519
Inventories	4	11,351	13,157
Total current assets		17,265	18,033
Accounts receivable and other assets	3	550	550
Property plant and equipment and development costs	5	17,093	16,160
Exploration and evaluation costs	6	19,172	17,677
Deferred income tax assets	11	3,115	3,115
Restricted cash		228	229
Total non-current assets		40,158	37,731
Total assets		57,423	55,764
Liabilities and Shareholders' Equity			
Trade payables and other accrued liabilities	3	13,933	14,518
Current portion of long-term debt	16	156	202
Warrants	8	595	-
Environmental rehabilitation provision	7	243	243
Total current liabilities		14,927	14,963
Long-term debt	16	174	201
Environmental rehabilitation provision	7	5,385	5,405
Total non-current liabilities		5,559	5,606
Total liabilities		20,486	20,569
Capital stock	8	63,461	61,162
Contributed surplus		5,847	5,836
Deficit		(31,203)	(30,913)
Currency translation reserve		(1,168)	(890)
Total shareholders' equity		36,937	35,195
Total liabilities and shareholders' equity		57,423	55,764

Approved on behalf of the Board of Directors

Ignacio Salazar

Chief Executive Officer

John Walmsley

Audit Committee Chair

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

Orosur Mining Inc.

Condensed Interim Consolidated Statements of profit/ (loss) and Comprehensive profit/ (loss)
Thousands of United States Dollars, except for loss per share amounts

	Note Ref.	Three months ended August 31,	
		2017 (\$)	2016 (\$)
Sales		11,951	12,658
Cost of sales	18	<u>(11,772)</u>	<u>(9,243)</u>
Gross profit		179	3,415
Corporate and administrative expenses		(645)	(467)
Explorations expenses and write off		(10)	(9)
Restructuring costs	12	(60)	124
Obsolescence provision		(35)	(88)
Other income	12	129	350
Net finance cost	17	(87)	(45)
Derivative loss	17	(10)	(420)
Foreign exchange (loss)/gain		252	(101)
		<u>(466)</u>	<u>(656)</u>
Profit/(loss) before income tax		(287)	2,759
Provision for income taxes	11	(3)	-
Total profit/(loss) for the period		<u>(290)</u>	<u>2,759</u>
Other comprehensive loss			
Cumulative translation adjustment		(278)	(37)
Total comprehensive profit/(loss) for the period		<u>(568)</u>	<u>2,722</u>
Profit/(loss) per common share			
Basic and fully diluted	15	(0.00)	0.03

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

Orosur Mining Inc.
Condensed Interim Consolidated Statements of Cash Flows
Thousands of United States Dollars, except where indicated

	Note Ref.	Three months ended August 31,	
		2017 (\$)	2016 (\$)
Net inflow/(outflow) of cash related to the following activities			
Cash flow from operating activities			
Net profit/(loss) for the period		(290)	2,759
<i>Adjustments to reconcile net income to net cash provided from operating activities:</i>			
Depreciation		1,961	1,766
Exploration and evaluation expenses written off	6	10	9
Obsolescence provision		35	88
Fair value of derivatives		(12)	94
Accretion of asset retirement obligation		19	19
Stock based compensation	9	11	28
Gain on sale of property, plant and equipment		(44)	-
Foreign exchange loss		(252)	(101)
Other		16	133
Subtotal		1,454	4,795
<i>Changes in working capital:</i>			
Accounts receivable and other assets		150	(308)
Inventories		1,769	(812)
Trade payables and other accrued liabilities		(585)	(474)
Net cash generated from operating activities		2,788	3,201
Cash flow from financing activities			
Loan payments	16	(72)	(63)
Investment in Anillo	6	69	-
Proceeds from private placement	8	2,894	-
Net cash generated from/(used in) financing activities		2,891	(63)
Cash flow from investing activities			
Purchase of property, plant and equipment and development costs	5	(2,860)	(1,862)
Environmental tasks		(40)	(65)
Proceeds from the sale of fixed assets		10	-
Exploration and evaluation expenditure assets	6	(1,613)	(549)
Net cash used in investing activities		(4,503)	(2,476)
Increase in cash		1,176	662
Cash at the beginning of period		3,357	4,320
Cash at the end of period		4,533	4,982

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

Orosur Mining Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
Thousands of United States Dollars, except where indicated

**Three months ended
August 31,**

2017 (\$) 2016 (\$)

Capital stock

Balance at beginning of period	61,162	60,751
Exercise of stock options	-	75
Grant of shares	-	23
Private placement	2,299	-
Balance at end of period	63,461	60,849

Contributed surplus

Balance at beginning of period	5,836	5,925
Stock based compensation recognized	11	28
Exercise of stock options	-	(75)
Balance at end of period	5,847	5,878

Deficit

Balance at beginning of period	(30,913)	(33,497)
Net profit/(loss) for the period	(290)	2,759
Balance at end of period	(31,203)	(30,738)

Currency translation reserve

(1,168)	(1,021)
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Shareholders' equity at end of period

36,937	34,968
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The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Orosur Mining Inc.
Selected explanatory notes to Condensed Interim Consolidated Financial Statements

Thousands of United States Dollars, except where indicated

1. Nature of Operations

Orosur Mining Inc. (“Orosur” or “the Company”) is a gold production, development and exploration company focused on producing gold as well as identifying and developing mineral opportunities either directly or through earn-in agreements.

Orosur was incorporated and is domiciled in Canada and is governed by the corporate laws of the Yukon Territory, Canada. The Company’s shares are listed on the Toronto Stock Exchange (TSX) in Canada and the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom. The Company’s corporate office is located at Apoquindo 5583 of 31 Las Condes, Santiago de Chile, Chile, and the address of its registered office is Suite 250 - 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

Orosur operates in Uruguay, Chile and Colombia. In Uruguay, the Company operates the San Gregorio gold mine, and possesses a large land holding with active near mine and regional exploration programs. Gold is produced in the form of doré, which is shipped to refineries for final processing. In Chile and Colombia, the Company conducts exploration and development activities.

2. Basis of preparation

These unaudited condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRIC interpretations, as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of unaudited condensed interim consolidated financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements do not include all disclosures required by IFRS for an annual consolidated financial statement and accordingly should be read in conjunction with the Company’s annual financial statements for the year ended May 31, 2017.

The accounting policies followed in these unaudited condensed interim consolidated financial statements are those applied in the Company’s financial statements for the year ended May 31, 2017, as set out in Note 3. The preparation of these interim financial statements requires the use of certain significant accounting estimates and judgment by management in applying the Company’s accounting policies. The areas involving significant judgment and estimates have been set out in Note 4 of the Company’s audited consolidated financial statements for the year ended May 31, 2017.

Functional and presentation currency

The functional and presentation currency of the Company is the United States dollar.

All of the Company’s entities have the United States dollar as the functional currency, except for Waymar Resources Ltd., Cordillera Holdings International Ltd. and Minera Anzá S.A., whose functional currency is the Canadian dollar and Minera Anzá S.A. (Colombia branch), whose functional currency is the Colombian peso (Note 10).

The results of operations and financial position of all the Company’s entities that have a functional currency different from the presentation currency (United States dollar) are translated into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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Selected explanatory notes to Condensed Interim Consolidated Financial Statements

Thousands of United States Dollars, except where indicated

b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

c) All resulting exchange differences are recognized in other comprehensive income under the caption "Currency translation reserve".

These financial statements were authorized by the Board of Directors for issue on October 11, 2017.

3. Accounts receivable and other assets, trade payables and other accrued liabilities

(i) Accounts receivable and other assets

	August 31, 2017 (\$)	May 31, 2017 (\$)
Tax receivable (a)	931	967
Advance payments to suppliers	189	270
Marketable securities	8	8
Miscellaneous receivable (b)	253	274
Total accounts receivable	1,381	1,519
<u>Non-current</u>		
Miscellaneous receivable (c)	550	550

(a) Tax receivable consists of refunds to be collected for Uruguayan Value Added Tax and Canadian GST.

(b) Current miscellaneous receivable consists of expenses to be reimbursed by farm-out partners and suppliers and income from the Company's laboratory for work performed for outside third parties.

(c) Non-current miscellaneous receivable includes a prepayment of \$550 made to a supplier in April 2013 to start the raiseboring of the Arenal underground. The supplier was unable to provide the services. As a result, the Company initiated actions to recover the amount and a positive arbitration award was received on April 3, 2014. The supplier repudiated the award, so in July 2014, the Company filed a judicial action to execute it. As defence, the supplier filed for judicial review of the award offering as counter-guarantee equipment valued at \$600. In May 2016, the defence was dismissed and the court ordered the freezing of the supplier's bank accounts and the valuation of the equipment to sell it at auction. In March 2017, the court ordered the seizure of additional equipment in order to cover the total amount of damages and fines awarded by the arbitral tribunal.

(ii) Trade payables and other accrued liabilities

	August 31, 2017 (\$)	May 31, 2017 (\$)
Commercial suppliers	9,794	10,749
Salaries, labour benefits and social security contributions	3,655	3,479
Mining royalties, income and other taxes	484	290
Total trade payables and other accrued liabilities	13,933	14,518

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4. Inventories

	August 31, 2017 (\$)	May 31, 2017 (\$)
Ore in stockpiles (i)	1,685	1,625
Gold in circuit	652	1,384
Finished metals	118	868
Mine operating supplies	8,896	9,280
Total inventories	11,351	13,157

(i) Ore in stockpiles includes high and medium grade material that the Company processes within its normal operation cycle. Whether the ore in stockpiles will be used in production within the next twelve months is subject to the Company's discretion as such ore is usually blended with ore mined and transported directly to the processing plant to optimize production. The Company does not carry stockpiles to be processed in the long term. Ore in stockpiles is carried at its accumulated average production cost of \$1,685 (\$553/oz) which is lower than its net realizable value of \$1,734 (\$569/oz).

5. Property, plant and equipment and development costs

	Tangible fixed assets (1)	Decommissioning asset (2)	Development costs				Total
			Tangible underground development costs (3)	Open pit development costs subject to depreciation (4)	Development costs not subject to depreciation (5)	Deferred stripping asset (6)	
Cost							
Balance May 31, 2016	\$ 77,160	11,126	29,150	53,184	7,120	560	178,300
Additions	\$ 683	-	248	13	918	-	1,862
Other	\$ 7	-	-	184	(184)	-	7
Balance August 31, 2016	\$ 77,850	11,126	29,398	53,382	7,853	560	180,169
Additions	\$ 2,448	213	5,805	267	561	-	9,294
Reclassification from E&E (7)	\$ -	-	204	1,790	103	-	2,097
Other	\$ 27	(56)	3,520	(77)	(3,443)	-	(29)
Disposals	\$ (711)	-	-	-	-	-	(711)
Balance May 31, 2017	\$ 79,614	11,283	38,927	55,362	5,075	560	190,821
Additions	\$ 1,152	40	1,613	95	-	-	2,900
Other	\$ (5)	-	-	-	-	-	(5)
Balance August 31, 2017	\$ 80,761	11,323	40,540	55,457	5,075	560	193,715

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	Tangible fixed assets (1)	Decommissioning asset (2)	Development costs			Deferred stripping asset (6)	Total
			Tangible Underground development costs (3)	Open pit development costs subject to depreciation (4)	Development costs not subject to depreciation (5)		
Accumulated depreciation							
Balance May 31, 2016	\$ 73,461	10,218	28,146	53,164	2,644	560	168,193
Depreciation	\$ 661	60	936	110	-	-	1,767
Balance August 31, 2016	\$ 74,122	10,278	29,082	53,274	2,644	560	169,960
Depreciation	\$ 1,671	213	3,195	298	-	-	5,377
Disposals	\$ (676)	-	-	-	-	-	(676)
Balance May 31, 2017	\$ 75,117	10,491	32,277	53,572	2,644	560	74,661
Depreciation	\$ 840	60	1,000	61	-	-	1,961
Balance August 31, 2017	\$ 75,957	10,551	33,277	53,633	2,644	560	176,622
Carrying amount							
As at August 31, 2017	\$ 4,804	772	7,263	1,824	2,431	-	17,093
As at May 31, 2017	\$ 4,497	792	6,649	1,791	2,431	-	16,160
As at May 31, 2016	\$ 3,698	908	1,004	20	4,476	-	10,106

- (1) Includes land, buildings, processing facilities, mobile and stationery equipment, furniture and other office equipment. The plant is located on leased land. The lease expires in 2026. No further payments are due on the lease.
- (2) See note 7.
- (3) Includes the ramp and gallery access to ore for Arenal Deepes Underground operation, ventilation shafts and other tangible development to access the ore body.
- (4) Includes exploration and evaluation costs for properties under production, including resource definition work.
- (5) Includes exploration and evaluation costs for properties for which commercial production has not begun.
- (6) Includes pre-stripping extracted from Vaca Muerta during June 2014.
- (7) Includes exploration and evaluation costs prior to the Company defining proven and probable reserves and intention to develop the property commercially.

For the three months ended August 31, 2017, the Company assessed the carrying value of its CGUs and determined that there was no significant change in the assets at August 31, 2017.

6. Exploration and evaluation costs

	Uruguay	Chile	Colombia	Total
Opening balance – May 31, 2017	3,697	6,725	7,255	17,677
Cash expenditure	1,292	100	221	1,613
Foreign exchange movement	-	-	(108)	(108)
Write off	(10)	-	-	(10)
Closing balance – August 31, 2017	4,979	6,825	7,368	19,172

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	Uruguay	Chile	Colombia	Total
Opening balance – May 31, 2016	4,418	6,407	6,425	17,250
Cash expenditure	289	100	159	548
Foreign exchange movement	-	-	(60)	(60)
Write off	(9)	-	-	(9)
Closing balance – August 31, 2016	4,698	6,507	6,524	17,729

Exploration farm-in agreements, acquisitions and farm-out agreements are those disclosed in Note 8 of the Company's audited financial statements for the year ended May 31, 2017. No changes occurred during the period ended August 31, 2017 regarding the status of each project as reported at May 31, 2017, except for the following:

Anillo (Chile):

Asset Chile contributed \$85 in June 2017 toward the minimum expenditure requirement and was expected to contribute a further \$65 in September 2017. Asset Chile has asked for an extension to October 2017 for the payment of the \$65 contribution.

7. Environmental rehabilitation provision

The Company's environmental rehabilitation provision relates to the retirement and remediation of the San Gregorio operation in Uruguay.

The environmental rehabilitation obligations have been recorded as a liability at estimated fair value determined by calculating the net present value of estimated future costs.

The following table summarizes the movements in the environmental rehabilitation provision for the three months ended August 31, 2017:

	August 31, 2017 (\$)	May 31, 2017 (\$)
Balance at beginning of period	5,648	5,687
Changes in cash flow estimates	1	156
Expenditure incurred in rehabilitation	(40)	(213)
Accretion expense	19	18
Balance at end of period	5,628	5,648
Less: current portion	(243)	(243)
	5,385	5,405

The Company has a legal and constructive obligation to restore the San Gregorio operation when mining operations cease. This estimate is revised annually according to a mine plan. The Company advances rehabilitation work previous to the closure date at its discretion and in accordance with the Uruguayan Environmental Agency.

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Uruguayan mining and environmental legislation requires environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of \$1,300 (May 31, 2017 - \$1,300) has been provided by Santander Bank (Uruguay) and an environmental guarantee for \$5,000 (May 31, 2017 - \$5,000) has been provided by AIG, the Uruguayan branch insurance company.

8. Capital stock

The Company has an authorized capital of unlimited number of common shares of no par value. As of August 31, 2017, the Company had a total of 117,586,905 issued shares outstanding (May 31, 2017 - 100,846,403).

	Number of shares (000's)	(\$)
Balance as of May 31, 2016	98,865	60,751
Compensation (i)	138	23
Exercise of stock options (ii)	610	140
Balance as of August 31, 2016	99,613	60,914
Compensation (i)	58	11
Exercise of stock options (ii)	280	58
Exercise of stock options (ii)	553	109
Exercise of stock options (iii)	342	69
Balance as of May 31, 2017	100,846	61,162
Shares issued on private placement (iv)	16,741	3,223
Warrants (iv)	-	(595)
Broker commission and other issue expenses of private placement (iv)	-	(329)
Balance as of August 31, 2017	117,587	63,461

- (i) The Company granted 83,777 common shares on June 1, 2016, 54,480 common shares on August 31, 2016 and 57,946 common shares on November 30, 2016, to directors and officers in lieu of 20% of their standard cash compensation for the periods March 1, 2016 to May 31, 2016, June 1, 2016 to August 31, 2016 and September 1, 2016 to November 30, 2016 respectively.
- (ii) On August 24, 2016, October 31, 2016 and February 3, 2017, the Company issued 610,000, 280,000 and 553,332 common shares respectively, following the exercise of options by a number of its employees.
- (iii) On January 19, 2017, the Company issued 341,667 common shares following the exercise of options by a former Director.
- (iv) On August 14, 2017, the Company raised of gross proceeds of CDN\$4,034 (\$3,223) through a placing and subscription of 16,740,502 new common shares of no par value at a price of C\$0.241 per subscription share, together with a grant of 8,370,251 unlisted warrants over new common shares on the basis of one subscription warrant for every two subscription shares at an exercise price of CDN\$0.337 at any time and until August 14, 2020. The fair value of the warrants of \$595 was estimated at the date of the grant using the Black-Scholes option pricing model with a risk-free rate of 1.27% and a daily volatility factor of 91.869%. The broker's commissions and other related expenses of the issue amounted to \$329. The net proceeds of this subscription are intended to be deployed for drilling and associated activities at the Company's highly prospective Anzá gold project in Colombia.

9. Stock-based compensation

a) Stock options

The Company has an option plan (the "Plan") for the officers, directors, employees and consultants of the Company and its subsidiaries. Options under the plan are typically granted in such numbers which 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 between 5 to 10 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 vest on the grant date, one-third of options vest twelve months from grant date and the final one-third vest twenty-four months from grant date. The following table summarizes information regarding the Company's outstanding options at August 31, 2017:

	Number of Shares	Option Price per Share Range	Weighted Average Exercise Price per share
	(000s)	CDN \$	CDN \$
Balance at May 31, 2016	7,676	\$0.105 - \$0.267	\$0.17
Expired	(563)	\$0.267	\$0.267
Forfeited	(100)	\$0.105	\$0.105
Granted (iv)	129	\$0.18	\$0.18
Exercised (v)	(610)	\$0.105 - \$0.185	\$0.15
Balance at August 31, 2016	6,532	\$0.105 - \$0.28	\$0.16
Forfeited	(383)	\$0.105 - \$0.235	\$0.14
Granted	305	\$0.18 - \$0.28	\$0.23
Granted	1,960	\$0.235	\$0.235
Exercised	(280)	\$0.105 - \$0.185	\$0.15
Exercised	(342)	\$0.105 - \$0.185	\$0.18
Exercised	(553)	\$0.105 - \$0.235	\$0.13
Cancelled	(17)	\$0.105 - \$0.235	\$0.21
Balance at May 31, 2017	7,222	\$0.105 - \$0.28	\$0.19
Forfeited (i)	(23)	\$0.105 - \$0.235	\$0.18
Balance at August 31, 2017	7,199	\$0.105 - \$0.28	\$0.19

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Thousands of United States Dollars, except where indicated

Outstanding				Exercisable	
Range of option Price CDN \$	Options 000s	Weighted average Exercise Price per share CDN \$	Weighted average remaining contractual life Years	Options 000s	Weighted average Exercise Price per share CDN \$
0.00 – 0.12	1,525	0.105	3.39	733	0.105
0.13 – 0.20	2,333	0.180	1.80	2,333	0.180
0.21 – 0.25	3,258	0.233	4.00	1,985	0.232
0.26 – 0.30	84	0.280	4.01	84	0.280
	7,199	0.19	3.04	5,134	0.19

At August 31, 2017, there were 7,199,093 options outstanding, of which 5,134,092 were vested and exercisable (May 31, 2017 – 7,222,426 and 5,134,092, respectively). The weighted average exercise price of the options outstanding at August 31, 2017 was CDN\$ 0.19 (May 31, 2017 – CDN\$ 0.19).

During the quarter ended August 31, 2017, \$11 of compensation expense was recorded (\$28 for the quarter ended August 31, 2016).

10. Related parties

Subsidiaries: The consolidated financial statements include the financial statements of Orosur Mining Inc. (the “Parent”) and the following subsidiaries (together referred as the “Company”):

Name of subsidiary	Country of incorporation	Equity interest as of August 31, 2017	Equity interest as of May 31, 2017	Functional Currency
International Mining Holdings Limited (IMHL)	Barbados	100%	100%	US dollar
Loryser S.A	Uruguay	100%	100%	US dollar
Minera San Gregorio S.A.	Uruguay	100%	100%	US dollar
Cinco Ríos S.A	Uruguay	100%	100%	US dollar
Nafypel S.A.	Uruguay	100%	100%	US dollar
Triselco S.A.	Uruguay	100%	100%	US dollar
Kevelux S.A	Uruguay	100%	100%	US dollar
Glendora S.A.	Uruguay	100%	100%	US dollar
Dalván S.A	Uruguay	100%	100%	US dollar
Bolir S.A.	Uruguay	100%	100%	US dollar
Brimol S.A.	Uruguay	100%	100%	US dollar
Montemura S.A.	Uruguay	100%	100%	US dollar
Ugdev S.A.	Uruguay	100%	100%	US dollar
Fortune Valley Resources Inc.	Canada	100%	100%	US dollar
Fortune Valley Resources Inc. BVI	BVI	100%	100%	US dollar

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Fortune Valley Resources Chile S.A	Chile	100%	100%	US dollar
Waymar Resources Ltd.	Canada	100%	100%	Canadian dollar
Cordillera Holdings International Ltd BVI	BVI	100%	100%	Canadian dollar
Minera Anzá S.A (BVI)	BVI	100%	100%	Canadian dollar
Minera Anzá S.A. (Colombia branch)	Colombia	100%	100%	Colombian peso
Anillo SPA	Chile	82%	82%	US dollar

11. Income Taxes

(a) Current and deferred income tax composition:

	Three months ended August 31,	
	2017 (\$)	2016 (\$)
Current income tax provision for the period	<u>(3)</u>	-
Total income tax provision for the period	<u>(3)</u>	-

(b) Changes and composition of the deferred income tax asset:

	Three months ended August 31, 2017 (\$)	Year ended May 31, 2017 (\$)
	Balance beginning of period	3,115
Recognized deferred tax recovery	-	581
Balance end of period	<u>3,115</u>	<u>3,115</u>

	August 31, 2017 (\$)	May 31, 2017 (\$)
Property plant and equipment and development costs	2,152	1,375
Inventories	(1)	(1)
Exploration and evaluation costs	21	(189)
Labour provisions	51	43
Fiscal losses	492	1,887
Deferred income tax asset	<u>3,115</u>	<u>3,115</u>

Changes in the value of the deferred income tax asset have been recognized in the statement of income. The deferred tax asset represents rights for future tax deduction in Uruguay. The Company has no deferred tax asset in any other jurisdiction it operates.

12. Segmented Information

As noted in note 3(g) of the Company's financial statements for the year ended May 31, 2017, the Company identifies three operating segments, namely production segment, exploration segment and corporate segment, that management reviews regularly in order to evaluate their performance and make decisions about resources to be allocated.

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	Production (UY)	Exploration (UY)	Exploration (CH)	Exploration (Colombia)	Corporate	Total
For three months ended						
August 31, 2017						
Sales	11,951	-	-	-	-	11,951
Cost of sales	(11,772)	-	-	-	-	(11,772)
Exploration expenses and write off	-	(10)	-	-	-	(10)
Obsolescence provision	(35)	-	-	-	-	(35)
Restructuring costs	(60)	-	-	-	-	(60)
Corporate and administrative expenses	-	-	-	-	(645)	(645)
Other income (i)	114	-	14	1	-	129
Total segment income/(loss)	198	(10)	14	1	(645)	(442)
Investment in exploration and evaluation	-	1,292	100	221	-	1,613
Investment in PP&E and development costs	2,860	-	-	-	-	2,860
As at August 31, 2017						
Property, plant and equipment and development costs	17,029	7	-	49	8	17,093
Exploration and evaluation costs	-	4,979	6,825	7,368	-	19,172
Total assets	38,187	4,986	6,825	7,417	8	57,423
For three months ended						
August 31, 2016						
Sales	12,658	-	-	-	-	12,658
Cost of sales	(9,243)	-	-	-	-	(9,243)
Exploration expenses and write off	-	(9)	-	-	-	(9)
Obsolescence provision	(88)	-	-	-	-	(88)
Restructuring costs	124	-	-	-	-	124
Corporate and administrative expenses	-	-	-	-	(467)	(467)
Other income (i)	341	-	-	9	-	350
Total segment income/(loss)	3,793	(9)	-	9	(467)	3,325
Investment in exploration and evaluation	-	290	100	159	-	549
Investment in PP&E and development costs	1,862	-	-	-	-	1,862
As at August 31, 2016						
Property, plant and equipment and development costs	10,168	12	-	19	11	10,209
Exploration and evaluation costs	-	4,699	6,507	6,523	-	17,729
Total assets	33,240	4,711	6,507	6,542	11	51,010

(i) Includes mainly the sale of crushed rock and also the income from the Company's laboratory for work performed for outside third-party companies.

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Reconciliation of segmented profit/loss to net profit/(loss) for the period is as follows:

	Three months ended August 31,	
	2017 (\$)	2016 (\$)
Segment profit/(loss)	(442)	3,325
Net finance cost	(87)	(45)
Derivatives loss	(10)	(420)
Net foreign exchange gain/(loss)	252	(101)
Cumulative translation adjustment	(278)	(37)
Income tax provision	(3)	-
Total comprehensive profit/(loss) for the period	<u>(568)</u>	<u>(2,722)</u>

13. Financial risk management and capital management

The Company is exposed to a variety of financial risks that are disclosed in Note 17 of the Company's audited financial statements for the year ended May 31, 2017.

14. Cash flow – Additional information

Cash comprises cash in the bank and cash on hand.

Cash flow from operating activities includes interest and income tax cash payments as detailed below:

	For the three-month period ended August 31,	
	2017 (\$)	2016 (\$)
Income tax paid	1	1
Interest paid	51	6

The Company is reimbursed the Uruguayan VAT included in the purchase of goods and services through the issue of tax credit certificates. Income tax paid shown is a result of the application of such tax credits to the income tax obligations.

Cash flow from investing activities in property, plant and equipment and development costs is detailed below:

	For the three-month period ended August 31,	
	2017 (\$)	2016 (\$)
Tangible fixed assets as defined in Note 5	1,152	683
Mine development costs	1,708	1,179
Environmental work rehabilitation as in Note 7	40	65
Total invested	<u>2,900</u>	<u>1,927</u>

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15. Basic and diluted profit/loss per share

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the year to assume conversion of all dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined at the average market share price of the Company's share for the corresponding period) based on the monetary value of all dilutive share options to acquire shares of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options to determine diluted earnings per share (treasury stock method). Details of such calculations are as follows:

(a) Basic:

		Three months ended August 31,	
		2017	2016
Basic weighted average shares outstanding	number	106,426,570	99,170,471
Net profit/(loss) attributable to equity holders	\$	(290)	2,759
Basic profit/(loss) per share	US cents per share	(0.00)	0.03

(b) Diluted:

		Three months ended August 31,	
		2017	2016
Potential net incremental of dilutive shares	number	5,050,412	4,155,892
Potential proceeds from dilutive share options	\$	958	748
Average quoted market share price for the period	CDN \$ per share	0.24	0.26
Potential shares to be repurchased	number	3,963,429	2,839,304
Potential net incremental of shares after repurchase	number	1,086,983	1,316,589
Diluted weighted average shares outstanding	number	107,513,553	100,487,060
Net profit/(loss) attributable to equity holders	\$	(290)	2,759
Diluted profit/(loss) per share	US cents per share	(0.00)	0.03

16. Long-term debt

	August 31, 2017 (\$)	May 31, 2017 (\$)
Santander loan (i)	330	403
Less current portion	(156)	(202)
Non-current portion	174	201

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(i) During the quarter ended February 28, 2015, the Company acquired two Volvo trucks that were financed with a lease credit facility with Banco Santander (Uruguay) S.A. for a total amount of \$378. During the quarter ended May 31, 2017, the Company acquired two more Volvo trucks that were financed with a lease credit facility with Banco Santander for a total amount of \$320. The Company is following the contracted schedule of these lease repayments and has paid \$72 during the period.

17. Finance income and finance cost

	For the three months ended August 31,	
	2017 (\$)	2016 (\$)
Finance income		
Interest on bank deposits	1	1
Loss on derivative instruments	(10)	-
Total	(9)	1
	For the three months ended August 31,	
	2017 (\$)	2016 (\$)
Finance cost		
Environmental rehabilitation accretion	19	19
Interest expense on bank borrowings	69	27
Total	88	46
Net finance cost	97	45

18. Cost of sales

The Company's costs of sales are comprised of the following:

	For the three-month period ended August 31,	
	2017 (\$)	2016 (\$)
Mining and transportations costs	4,460	4,121
Processing costs	2,627	2,472
Mine site administration costs	807	704
Change in stockpiles, gold in circuit and finished goods	1,418	(388)
Refinery charges	132	122
Depreciation	1,961	1,766
Mining royalties and other production tax	367	445
Total cost of sales	11,772	9,243