

OROSUR MINING INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF UNITED STATES
DOLLARS)

Orosur Mining Inc.

Consolidated Statements of Financial Position (Expressed in thousands of United States Dollars)

	As at May 31, 2019	As at May 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 512	\$ 1,390
Accounts receivable and other assets (note 8)	292	1,550
Inventories (note 9)	-	6,100
Assets held for sale (note 6)	4,452	120
Total current assets	5,256	9,160
Non-current assets		
Accounts receivable and other assets (note 8)	-	73
Property, plant and equipment (notes 6 and 10)	87	6,578
Exploration and evaluation assets (note 11)	8,983	9,755
Restricted cash	-	201
Total assets	\$ 14,326	\$ 25,767
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes and 12)	\$ 235	\$ 17,845
Current portion of long-term debt (notes and 13)	-	1,730
Warrants	13	68
Liabilities held for sale (note 6)	23,393	-
Environmental rehabilitation provision (note 14)	-	139
Total current liabilities	23,641	19,782
Non-current liabilities		
Long-term debt (notes and 13)	-	211
Environmental rehabilitation provision (note 14)	-	5,283
Total liabilities	23,641	25,276
Equity		
Share capital (note 15)	65,290	63,290
Contributed surplus	5,947	5,893
Currency translation reserve	(1,653)	(912)

Total Deficit	(78,899)	(67,780)
Total (deficit) / equity	(9,315)	491
Total (deficit) / equity and liabilities	\$ 14,326	\$ 25,767

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

(Signed) "*Ignacio Salazar*" Chief Executive Officer

(Signed) "*Hornng Dih Lee*" Audit Committee Chair

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

Orosur Mining Inc.

Consolidated Statements of Loss and Comprehensive Loss (Expressed in thousands of United States Dollars)

	Year Ended May 31, 2019	Year Ended May 31, 2018
		(Restated)
Operating expenses		
Corporate and administrative expenses	\$ (1,653)	\$ (1,351)
Exploration expenses	(45)	(207)
Exploration written off	(7)	-
Other income	503	24
Net finance cost	(13)	5
(Loss) gain on fair value of financial instrument	57	680
Net foreign exchange gain/(loss)	(23)	1
	<u>(1,181)</u>	<u>(848)</u>
Loss before income taxes	(1,181)	(848)
Income tax recovery (note 18)	-	-
Net loss for the year for continuing operations	\$ (1,181)	\$ (848)
Other comprehensive loss		
Cumulative translation adjustment	\$ (741)	\$ (22)
Total comprehensive loss for the year from continuing operations	(1,922)	(870)
Loss from discontinuing operations (note 6)	(9,938)	(35,997)
Total comprehensive loss for the year	(11,860)	(36,867)
Basic and diluted net loss per share for continued operations (note 19)	\$ (0.01)	\$ (0.01)
Basic and diluted net loss per share for discontinued operations (note 19)	\$ (0.07)	\$ (0.31)
Weighted average number of common shares outstanding	136,774	114,797

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

Orosur Mining Inc.

Consolidated Statements of Cash Flows

(Expressed in thousands of United States Dollars)

	Year Ended May 31, 2019	Year Ended May 31, 2018
Operating activities		
Net loss for the year	\$ (1,181)	\$ (848)
Adjustments for:		
Share-based payments	54	57
Exploration and evaluation expenses written off	7	-
Fair value of financial instrument	(57)	(399)
Gain on sale of property, plant and equipment	-	(58)
Other	(1,849)	(72)
Changes in non-cash working capital items:		
Accounts receivable and other assets	(298)	(31)
Accounts payable and accrued liabilities	563	114
Net cash used in operating activities - continued operations	(2,761)	(1,237)
Investing activities		
Proceeds received for exploration and evaluation expenditures	310	-
Exploration and evaluation expenditures	(427)	(2,458)
Net cash used in investing activities - continued operations	(117)	(2,458)
Financing activities		
Issue of common shares	2,000	2,894
Advances to discontinued operations	-	2,097
Net cash provided by financing activities - continued operations	2,000	4,991
Net change in cash and cash equivalents - continued operations	(878)	1,296
Cash and cash equivalents, beginning of year	1,390	94
Cash and cash equivalents, end of year	\$ 512	\$ 1,390
Net cash used in investing activities - discontinued operations	1,646	(11,953)
Net cash used in operating activities - discontinued operations	(2,347)	8,815
Net cash provided by financing activities - discontinued operations	-	294

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

Orosur Mining Inc.

Consolidated Statements of Changes in Equity / (Deficit)
(Expressed in thousands of United States Dollars)

	Share capital	Contributed surplus	Currency translation reserve	Deficit	Total
Balance, May 31, 2017	\$ 61,162	\$ 5,836	\$ (890)	\$ (30,913)	\$ 35,195
Private placement	2,128	-	-	-	2,128
Stock-based compensation	-	57	-	-	57
Currency translation adjustment	-	-	(22)	-	(22)
Net loss for the year	-	-	-	(36,867)	(36,867)
Balance, May 31, 2018	\$ 63,290	\$ 5,893	\$ (912)	\$ (67,780)	\$ 491
Private placement	2,000	-	-	-	2,000
Stock-based compensation	-	54	-	-	54
Currency translation adjustment	-	-	(741)	-	(741)
Net loss for the year	-	-	-	(11,119)	(11,119)
Balance, May 31, 2019	\$ 65,290	\$ 5,947	\$ (1,653)	\$ (78,899)	\$ (9,315)

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

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

1. Nature of operations and going concern

Orosur Mining Inc. ("Orosur" or "the Company") is a South American-focused gold development and exploration company.

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 registered office is Suite 1010 - 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

Orosur operates in Colombia and Uruguay. In Colombia, the Company conducts exploration activities and has a farm-in exploration agreement with Newmont Mining Corporation ("Newmont") in Anzá. In Uruguay, the Company has historically operated the San Gregorio gold mine which is presently in care and maintenance, and has reached an agreement, subject to court approval with creditors, to settle its liabilities in Uruguay by selling its assets at San Gregorio and issuing of share (note 6)

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are accounted as Assets and Liabilities held for sale. Assets held for sale are measured at the lower of cost or recoverable amount. This accounting treatment is applied to the activities in Uruguay and Chile. In line with negotiations and the final agreement as December 17, 2018 with creditors in Uruguay (see Note 6), Loryser S.A. is required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business based on the payment plan agreed. Whether such proceeds will be sufficient to settle the debts in entirety unknown at this time. The Agreement contemplates that net proceeds from the sale of Loryser's assets in Uruguay together with the issuance of 10 million common shares of Orosur shall satisfy all amounts owing to Loryser's creditors as well as provide funds for Loryser to conduct this process and close operation responsibly. Accordingly, the activities of Uruguay, and Chile, are consolidated in the Financial Statements as Assets and Liabilities held for sale and Profit and Loss from discontinuing operations.

At May 31, 2019, the Company had cash of \$512 (May 31, 2018 - \$1,390) and a net working capital deficiency of \$18,385 (May 31, 2018 - \$10,622). (Total amounts due within 12 months on the Company's long-term financial debt is \$nil (May 31, 2018 - \$1,730). Total amount of accounts payables and other accrued liabilities is \$235 (May 31, 2018 - \$17,845). Total amount of liabilities held for sale is \$23,393 (May 31, 2018 - \$nil).

The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to obtain court approval to ratify and implement the agreement with creditors in Uruguay. These material uncertainties may cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. Although the Company has been successful in the past in obtaining financing, recently with the Newmont deal in September 2018, and was successful in reaching a payment plan agreement with creditors in Uruguay in December 2018, subject to court approval, there is no assurance on how the Newmont deal and the agreement with creditors in Uruguay will develop, or that the Company will be able to obtain adequate financing in the future on terms advantageous to the Company.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS's issued and outstanding as of August 28, 2019, the date the Board of Directors approved the statements.

Principles of consolidation

The consolidated financial statements include the accounts of Orosur and its subsidiaries (collectively "the Group"). Subsidiaries are entities controlled directly or indirectly by Orosur. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. The Company's list of subsidiaries is included in note 20 and are all 100% owned by Orosur. All inter-company transactions and balances have been eliminated upon consolidation.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currencies of each of the Company's subsidiaries are listed in note 20. The consolidated financial statements are presented in United States dollars which is the Group's presentation currency.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of losses in the current year.

Group companies

The results and financial position of all entities in the Group that have a functional currency different from the Group's presentation currency are translated into the Group's 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;
- b) equity transactions are translated at the closing exchange rate;
- c) income and expenses for each income statement are translated at the exchange rate in effect on date of the transaction (or at average exchange rates for the reporting period); and
- d) all resulting exchange differences are recognized in other comprehensive income / loss and accumulated as a separate component of equity (currency translation reserve).

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Cash

Cash and cash equivalents consist of cash in bank. Restricted cash is cash held in banks that is not available for general corporate use.

Property, plant and equipment and development costs

Property, plant and equipment are tangible assets including land, buildings, processing facilities, mobile and stationary equipment, furniture and other office equipment. The net present value of costs capitalized when recognizing environmental obligations are also recorded within property, plant and equipment.

Property, plant and equipment are recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, for qualifying assets, capitalized borrowing costs. Property, plant and equipment items are depreciated using the straight-line method over the estimated useful life of the asset, with the exception of land which is not depreciated and the tailings dam facilities which are depreciated according to the waste received for its total capacity. Each part of an item with a cost that is significant in relation to the total cost of the item is depreciated separately if their useful lives differ. Expenditures that extend the useful lives of existing facilities or equipment are capitalized and amortized over the remaining useful lives of the assets. Repairs and maintenance expenditures are expensed as incurred. The following depreciation methods and useful lives are used for depreciating each category of asset under property, plant and equipment:

	Depreciation method	Useful life (years)
Buildings	Straight line	3 years
Machinery and equipment	Straight line	Range of 2 to 3 years
Processing plant	Straight line	3 years
Computer equipment and software	Straight line	3 years
Vehicles	Straight line	3 years
Furniture and office equipment	Straight line	3 years

Development costs include underground mine development costs and open pit development costs. At the underground mine, development costs are incurred to build new shafts, drifts and ramps that will enable physical access to ore underground. These underground development costs are capitalized at cost as incurred. In open pit operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalized as open pit mine development costs at its cost. Stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the period that the stripping costs were incurred, unless these costs are expected to provide future economic benefit. Interest expense attributable to the cost of developing mine properties is capitalized until the property starts commercial production. Development costs also include exploration and evaluation costs for those properties that are currently in operation, or development has commenced, or for which proven and probable reserves have been declared and the Company intends to commercially develop the property. Development expenditure is accumulated separately for each area in which economically recoverable mineral resources have been identified and are reasonably assured.

No amortization is provided in respect of development costs until commencement of commercial production. Development costs are amortized and charged to operations using the units of production method based on the estimated life of each mine considering its recoverable proven and probable reserves. Any changes in useful lives derived from changes in proven and probable reserves are accounted for prospectively from the date of the change. Amounts shown as development costs are net of revenue earned prior to commercial production.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Impairment of non-financial assets

The carrying amount of the Company's property, plant and equipment and development costs are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Operating pits in Uruguay are considered together a CGU for impairment testing.

Impairment exists when the carrying amount of the CGU exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of income. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the CGU in its present form and its eventual disposal. Estimated future cash-flows includes estimates of recoverable resources and commodity prices (considering historical prices, price trends and related factors) and estimated production related expenses discounted by the Company's pre-tax weighted average cost of capital with appropriate adjustment for the risk associated with the relevant unit.

Estimates of future net cash flows are based on ore reserves and mineral resources for which there is a high degree of confidence of economic extraction according to the Company's future mine plan.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is usually obtained from an active market or binding sale agreement. Where neither of them exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction which is often estimated using cash flow techniques.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized, such that the recoverable amount has increased. The recoverable amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

Exploration and evaluation costs ("E&E")

Exploration and evaluation costs are those required to find a mineral property and determine commercial liability. E&E consist of:

- ◆ gathering exploration data through topographical and geological studies;
- ◆ exploratory drilling, trenching and sampling;
- ◆ determining the volume and grade of the resource;
- ◆ test work on geology, metallurgy, mining, geotechnical and environmental; and
- ◆ conducting engineering, marketing and financial studies.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Exploration and evaluation costs (“E&E”) (continued)

E&E expenditure is capitalized under areas of interest defined by the Company and carried forward as an asset. Overhead costs that are directly attributable to E&E, but not directly attributable to an individual project or area, such as general advisory, the cost of a central exploration office or the cost of a mining tenements office are also allocated to areas of interest and capitalized. Depreciation of property, plant and equipment used in the exploration activities and exchange differences related to monetary assets and liabilities associated to the exploration activities are not capitalized and recognized as expenses as they are incurred. The Company also recognizes E&E costs as intangible assets when acquired as part of a business combination, or an asset purchase, such as rights to explore. These assets are recognized at an estimation of the fair value attributable to the mineral resources and exploration potential attributable to the property.

Acquired or capitalized E&E costs for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized E&E costs are transferred to capitalized development costs within property, plant and equipment. Technical feasibility and commercial viability generally coincides with the establishment of proven and probable reserves; however, this determination may be impacted by management’s assessment of certain modifying factors including: legal, environmental, social and governmental factors.

The recoverability of amounts shown for E&E costs is dependent upon the discovery of economically recoverable reserves. The exploration assets are reassessed on a regular basis for impairment. An impairment of an exploration asset occurs when at least one the following conditions are met:

- ◆ the Company’s right to explore in an area of interest has expired or will expire in the near future and is not expected to be renewed;
- ◆ the Company has strategically decided to discontinue activities in the area of interest;
- ◆ substantive exploration expenditure on further exploration in the area of interest is neither budgeted nor planned in the near future and no negotiations to sell the project or farm it out are planned or considerably advanced;
- ◆ sufficient work has been performed to indicate that the carrying amount of the expenditure carried forward as an asset will not be fully recovered, even though a viable mine has been discovered.

The capitalized E&E related to the project is written off in the period it is considered impaired under the criteria outlined above.

An E&E cost incurred before any legal rights to explore an area of interest, or after an area was previously impaired, are expensed as incurred. Capitalized E&E costs are shown as an investing activity in the statement of cash flow, whereas E&E costs expensed as incurred are included under the Company’s operating activities in the statement of cash flow.

Segmented information

The Company identifies the following three operating segments that management reviews regularly in order to evaluate their performance and make decisions about resources to be allocated:

Uruguay

The Company does not have any more a producing asset. The San Gregorio gold operations in the north of Uruguay (UY) is currently in care and maintenance.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Segmented information (continued)

Exploration segment

The Company carries on exploration programs on its mineral portfolio, currently only in Colombia, with the objective to advance exploration projects.. The segment additionally includes the evaluation of mining assets acquisitions throughout Latin America.

Corporate segment

The corporate segment includes general and administrative expenses and costs in connection with raising funds when needed to finance exploration programs, acquisition of assets and the development of mine operations.

Inventories

Inventories include supplies and materials, ore stockpiles, gold in circuit and finished metals, and are measured at the lower of cost and net realizable value. Net realizable value for ore in stockpiles, gold in circuit and finished metals is calculated as the difference between the estimated gold prices based on historical, prevailing and long-term metal prices and estimated costs to complete production into a saleable form.

Materials and supplies include consumable stores and spare parts used in operations. Appropriate allowances for damage, obsolescence and slow moving items are recorded based on an identification process. Spare parts include spares that are regularly replaced, usually as part of a replacement program (circulating spares). However, major spare parts on hand to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure and stand-by equipment are accounted for as property, plant and equipment and depreciated over the same period as the component they are associated with.

Ore stockpiles are comprised of coarse ore that has been extracted from the mine and, at the time of extraction, is expected to be processed into a saleable form. Stockpiles are determined through physical measurement and grade determined through assay testing. Costs are added to ore in stockpiles at the current mining cost per tonne and removed at the accumulated average cost per tonne. Ore with a marginal cut-off grade is stockpiled for potential future processing but is carried at zero value.

By using optimisation studies for each project, the economic cut-off grade is determined for each ore stockpile. The grades consist of high, medium and low.

Gold in circuit represent materials that are currently being converted to a saleable product and are measured based on assays of the material fed to the processing plants and expected recoveries. The quantities of recoverable gold placed into the plant are reconciled by comparing the grades of ore fed into the plant to the quantities of gold actually recovered (metallurgical balance). Costs are added to gold in circuit at the current processing cost per ounce and removed at the accumulated average cost per ounce.

Finished metal inventories include gold and silver doré bullions before refining, and finished gold and silver ingots, and are valued at average production cost and are not marked to market. Average production cost represents the average cost of in process inventories prior to the refining process and any relevant refining costs. Sales and refining costs are not part of the cost of inventories.

Cost of inventories are determined using the absorption method which includes all the costs of purchase and conversion, including costs that are directly related to production and an allocation of fixed and variable production overheads, including depreciation of mine properties and of property, plant and equipment used in mining and processing the ore. Production costs also include any royalty taxes payable.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Income taxes

The income tax expense or benefit for the period consist of two components: current and deferred.

Current income tax is the expected tax payable on the taxable profit for the year. The tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

Deferred income tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related future income tax asset is realized or the future income tax liability is settled.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent it is probable future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. Income tax expense is recognized in the consolidated statement of income except to the extent it relates to a business combination or other items recognized directly in equity.

Deferred tax assets and/or liabilities are not recognized on temporary differences that arise in the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and with respect to taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Provision for environmental rehabilitation

Mining extraction and processing activities normally give rise to obligations for environmental rehabilitation. Environmental rehabilitation of sites where the Company operates includes the dismantling and demolition of infrastructure, the removal or treatment of waste materials and remediation of disturbed areas, including tailings ponds closure. A provision for the cost of each rehabilitation program is recognized in the accounting period when the legal or constructive obligation arising from the related environmental disturbance occurs and reliable estimates of the required rehabilitation costs can be made. Expenditures may occur before and after the closure and can continue for an extended period of time depending on rehabilitation requirements. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are included in operating costs.

The Company records a liability and a corresponding asset for the present value of the estimated costs of legal and constructive obligations for future site reclamation and closure. The estimated present value of the obligation is reassessed on an annual basis or when new material information becomes available, on the basis of a closure plan to reflect known developments, update costs estimates and revise estimated lives of operations. Increases or decreases to the obligation usually arise due to changes in legal or regulatory requirements, methods of reclamation, cost estimates or discount rates in light of the significant judgments and estimates involved. Although the ultimate cost to be incurred is uncertain, the Company's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques and industry guidelines, on a site by site basis.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Provision for environmental rehabilitation (continued)

The initial net present value of costs capitalized when recognizing an environmental obligation are recorded as an asset within property, plant and equipment, representing part of the cost of acquiring the future economic benefits of the operation. The asset retirement cost is expensed using a systematic and rational method over its useful life, and is included as an operation cost. In subsequent periods, the Company recognizes the changes in the liability for an environmental obligation resulting from the passage of time and the revisions to either the timing or amount of the original estimate of undiscounted cash flows.

Changes resulting from revisions to the timing or the amount of the original undiscounted cash flows are recognized as an increase or decrease in the carrying amount of the rehabilitation provision against an increase or decrease in the corresponding value of the related asset. The principal factors that can cause expected cash flows to change are the construction of new processing facilities, changes in the life of mine plan or reserves, changes in the amounts of waste to remove or treat, foreign exchange rates and inflation, the emergence of new restoration techniques, experiences at other mine sites, and changes in laws and regulations governing the protection of the environment.

Rehabilitation provisions are measured at the expected value of future cash flows discounted to their present value using a current US dollar real risk free pre-tax discount rate. Changes due to the passage of time, meaning the “unwinding” of the discount applied in establishing the net present value of the liability, referred to as accretion expense, is charged as a finance cost in each accounting period and results in an increase in the amount of the provision.

As noted above, the ultimate cost of the close down and restoration is uncertain and costs estimated can vary in response to many factors. As a result, there could be significant adjustments to the provision for close down and restoration which would affect future financial results. Significant judgment and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows.

Revenue recognition

Prior to June 1, 2018, revenue from mining operations is recognized after shipment of gold to third party refineries, when the sales price is determinable, title has passed to the customer and collection of the sale is reasonably assured.

Beginning June 1, 2018, revenue from the sales of gold and silver is recognized based on the identification of contracts with third party refineries, the determination of performance obligation under the contract and the related transaction price, and the point at which the Company satisfies its performance obligation. The Company recognizes revenue from gold and silver when it has transferred the metals to the third party refineries, fulfilling its performance obligations under the sales agreement, and the resulting revenue can be measured at the price on the delivery date.

Revenue from the sales of aggregates is recognized based on the identification of contracts with a customer, the determination of performance obligation under the contract and the related transaction price, and the point at which the Company satisfies its performance obligation. The Company recognizes revenue from the sale of aggregates when the rock has been delivered to the buyer.

Earnings (loss) per share

Basic earnings (loss) per common share are computed by dividing the net profit attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share amounts reflect the potential dilution effect derived from the exercise or conversion to common shares of securities or other contracts to issue common shares. The treasury stock method is used to determine diluted per share amount which assumes that all outstanding securities or contracts to issue common shares are exercised if its average exercise price was below the market price of the underlying shares, and the assumed proceeds are used to purchase the Company's common share at the average market price during the period.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Share-based payments

The Company has a stock-based compensation plan and recognizes compensation expense for option awards. Compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized over the vesting period with a corresponding increase to contributed surplus. Upon exercise, the proceeds of the options are credited to capital stock at the option price and the fair value of the options, as previously recorded, is reclassified from contributed surplus to capital stock. Stock options issued to persons other than employees are accounted for at fair value and deferred and amortized over the relevant service period.

The Company uses the graded vesting method to accrue the compensation expense by which when a share-based payment award vest in installments over the vesting period (graded vesting), each installment is accounted for as a separate arrangement instead of accruing the whole compensation cost on a straight-line basis. Stock option expense incorporates an expected forfeiture rate based on historical forfeiture rates.

Financial instruments

Prior to June 1, 2018, financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial instruments are classified into one of these five categories: held-to-maturity investments, loans and other receivables, available-for-sale, fair value through profit and loss ("FVTPL") or other financial liabilities. All financial instruments and derivatives are measured at fair value upon initial recognition. After initial recognition the Company measures its financial assets and financial liabilities depending on the category assigned as follows:

- FVTPL are financial assets held for trading and carried at fair value with changes in fair value charged or credited to the statement of operations in the period in which they arise.
- Loans and receivables and held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at their fair values, and subsequently measured at amortized cost using the effective interest rate method less a provision for impairment.
- Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are carried at fair value with changes in the fair value charged or credited to other comprehensive income (loss).
- Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method.
- All derivative financial instruments meeting certain recognition criteria are carried at fair value with changes in fair value charged or credited to income or expense in the period in which they arise.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Financial instruments (continued)

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss.

Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest."

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Expected credit loss impairment model

IFRS 9 introduces a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements, and did not result in a transitional adjustment.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Financial instruments (continued)

Classification of financial instruments

All financial assets not classified at amortized cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- ◆ It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- ◆ Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9, adopted June 1, 2018, for each financial instrument:

Classification	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Restricted cash	Loans and receivables (amortized cost)	Amortized cost
Amounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Long-term debt	Other financial liabilities (amortized cost)	Amortized cost
Warrants	Fair value through profit and loss ("FVTPL")	FVTPL

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

Non-current assets (or disposal groups) held for sale and discontinued operations: Uruguay and Chile

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Assets are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. The Company is accounting for its activities in Uruguay and Chile as discounted operations after all its mining assets have been sold or returned in Chile while in Uruguay, the ratification of the creditors agreement signed in December 2018 is well advanced and the process to sell the assets and fulfil the liabilities is already ongoing.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

New standards adopted

IFRS 9 Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments, (IFRS 9 (2014) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its consolidated financial statements on June 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on June 1, 2018.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. Significant accounting policies for continued and discontinued operations (continued)

New standards adopted (continued)

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company adopted IFRS 15 in its consolidated financial statements on June 1, 2018, and had no impact on the opening accumulated deficit balance on June 1, 2018.

New standards not yet adopted and interpretations issued but not yet effective

IFRS 16 - Leases:

On January 13, 2016, the IASB issued IFRS 16 which supersedes existing standards and interpretations under IAS 17, Leases. IFRS 16 requires all leases, including financing and operating leases, to be reported on a company's balance sheet. The new standard will provide greater transparency on a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 16 on the consolidated financial statements.

IFRIC Interpretation 23 – Uncertainty over income tax treatments

Issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on June 1, 2019. The Company is currently in the process of assessing the impact of IFRIC 23 on its consolidated financial statements.

3. Critical accounting estimates, judgments and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By definition, estimates and assumptions seldom equal actual results and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, and to the amounts of revenues and expenses presented in these consolidated financial statements. The areas which require management to make significant judgments, estimates and assumptions are discussed below:

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

3. Critical accounting estimates, judgments and assumptions (continued)

Inventory

Expenditure incurred and depreciation of assets as a result of mining and processing activities is deferred and accumulated as the cost of ore in stockpiles, gold in circuit and finished metals inventories, on units based on estimated volumes and grades as a result of assays and other sampling tests. These deferred amounts are carried at the lower of average cost and net realizable value. Write downs of such inventories are reported as a component of current period costs and are influenced by the prevailing and long-term metal prices, prevailing costs for production inputs, realized ore grades and production schedules.

Environmental rehabilitation provisions

The fair value of the liability is determined based on the net present value of estimated future costs estimated by management based on feasibility and engineering studies on a site by site basis. While care was taken to estimate the retirement obligations, these amounts are estimates of expenditures that are not due until future years; The Company assesses its provision on an ongoing basis or when new material information becomes available.

Stock-based compensation

The Company uses the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipated life of the option, risk free rate, forfeiture rate, and the volatility of the Company's share price.

Deferred income tax assets and liabilities

Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the carrying amount of deferred income taxes.

Exploration and evaluation expenditure

The recoverability of amounts shown for capitalized exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves. Management reviews the carrying value of capitalized exploration and evaluation costs at least annually. The review is based on the Company's intention for development of the underlying asset.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

4. Capital risk management

Our capital management objectives are to safeguard the Company's ability to support our operating requirements on an ongoing basis, continue the development and exploration of the Company's mineral properties and support expansionary plans while attempting to maximize the return to shareholders through enhancing the share value. The Company defines capital that it manages as net worth, which is comprised of total shareholders' equity and debt obligations (net of cash and cash equivalents).

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by, upon approval of its Board of Directors, issuing new shares, adjusting capital spending, drawing on existing credit facilities, disposing of assets or undertaking other activities as deemed appropriate under the specific circumstances. The Company can also control, upon approval of the Board of Directors, how much capital is returned to shareholders through dividends and share repurchase. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets.

The Company does not have a numeric target for its capital structure. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures and other investing and financing activities. Selected information is frequently provided to the Board of Directors of the Company.

The Company has not made any changes to its capital management processes during the year.

5. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, measurement and the bases for the recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 2.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

- ◆ Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- ◆ Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- ◆ Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All financial instruments are classified as Level 1, with the exception of financial debt, which is classified as Level 2.

Financial risks

The Company's activity exposes it to a variety of financial risks as stated below.

Commodity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors gold price.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

5. Financial instruments (continued)

Financial risks (continued)

Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. 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., which functional currency is the Canadian dollar and Minera Anzá S.A. (Colombia branch), which functional currency is the Colombian peso. The Company conducts some of its activities in currencies other than the US dollar, especially in Uruguayan pesos. The Company also has active exploration programs in Colombia and has some of its expenditure denominated in Colombian pesos. The Company is therefore subject to gains or losses due to fluctuations in the Uruguayan pesos and the Colombian peso relative to the US dollar. The Company manages its currency rate risk by denominating its contracts and commitments, where possible, in US dollars. The Company does not have a policy nor has entered into derivatives to mitigate foreign currency risks.

During the year ended May 31, 2019, the Uruguayan peso (UY\$) depreciated by 13.2% (year ended May 31, 2018 – 10%) against the US dollar. Exchange rate as of May 31, 2019 was UY\$35.252 per 1 US dollar (May 31, 2018 – 31.192). The Company has in its Uruguayan operation three main operating expenses denominated in Uruguayan pesos: salaries, electricity and gas oil.

Credit risk

Credit risk is the risk that a third party might fail to fulfil its performance obligations under the terms of a financial instrument. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. The Company has no significant concentration of credit risk. The Company's cash and cash equivalents credit risk is mitigated by using well capitalized financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company manages liquidity risk by proactively forecasting its liquidity requirements with available funds and anticipated cash flows. The Company requires external funding to cover its corporate costs and advance its exploration program in Colombia, currently both financed by the cash payments and the work commitments from the Newmont deal from September 2018 (note 11), and plans to cover its obligations and liabilities in Uruguay by selling its assets there as per the terms of the creditor agreement (note 6).

As of May 31, 2019, the Company had cash and cash equivalents of \$512 (May 31, 2018 - \$1,390) and total current assets of \$5,256 (May 31, 2018 - \$9,160) to settle current trade and other accrued liabilities of \$235 (May 31, 2018 - \$17,845) and current financial debt of \$nil (May 31, 2018 - \$1,730). None of the cash in Loryser S.A., the Company's operating subsidiary in Uruguay, is accessible to the Company since the declaration of the creditor protection process. The Company is required to seek additional sources of funding to cover corporate costs and Colombia holding costs. The discontinued operations (Chile and Uruguay) have assets held for sale of \$4,452 and liabilities held for sale of \$23,393. Assets held for sale are measured at the lower of book value or fair value.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

5. Financial instruments (continued)

Financial risks (continued)

Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company has cash balances bearing minimal interest and interest-bearing debt.

6. Discontinued operations

Uruguay

On June 14, 2018, Loryser S.A. (the Company's operating subsidiary in Uruguay) applied to commence reorganisation proceedings under Uruguayan legislation (Act N°18.387) (the "Loryser Reorganisation Proceedings"). To have continued with the San Gregorio mine plan, a swift and timely transition from San Gregorio Underground to the Veta A Underground project would have been required, which itself would have required external financing plus an environmental permit for Veta A, both of which were not available at the time. As a result of those circumstances, the Board of Directors actively explored a number of alternatives for Orosur and its subsidiaries. The decision to apply for the Loryser Reorganisation Proceedings and creditor protection was made in consultation with the Company's legal and financial advisors and the Company's management believed it to be in the best interests of Loryser, the Company and their stakeholders.

The reorganization process has been ongoing since June 2018. In August 2018, the Uruguayan operations under Loryser S.A. were placed under care and maintenance and all gold production ceased. Under the Loryser Reorganisation Proceedings, the term for credit verification ended on September 3, 2018, and the court-appointed intervener (the "Intervenor") validated the credits and filed a report on the assets and liabilities of the Company on October 3, 2018.

In December, 2018, Loryser, reached a payment plan agreement with creditors in Uruguay. The Agreement contemplates that net proceeds from the sale of Loryser and other subsidiaries' assets in Uruguay together with the issuance of 10 million common shares of Orosur shall fully satisfy all amounts owing to Loryser's creditors as well as provide funds for Loryser to conduct this process and close operation responsibly. As contemplated by the Agreement, Loryser would manage the process, to be completed within two years. Loryser contacted over 90% of the creditors by value, distributed the Agreement and was successful in obtaining execution of the Agreement by the majority of its creditors, adding to more than 70% of the creditors by value who have executed the Agreement. The support level was already above the required simple majority, being 50% of creditors by value, required to proceed. As such, on December 17, 2018 Loryser submitted the Agreement to the Court and the Court cancelled the meeting of creditors.

In May 2019, the Court approved the final list of creditors and Loryser's independent assets valuation. Subsequent to the year end in August 2019, the Intervenor filed a report informing the Court that it had verified that 71.48% of the creditors by value had adhered to the Agreement. Consequently, the Intervenor informed that majorities legally required were reached and the Court gave public notice of the Agreement. Once finally approved by the Court, the Agreement will be legally binding for all the creditors and Loryser's creditor protection status will cease together with Intervenor's over the Company.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

6. Discontinued operations (continued)

Uruguay (continued)

Accordingly, the assets and liabilities related to Uruguay have been reclassified as assets and liabilities of discontinued operations in the consolidated financial statements as at May 31, 2019.

The Company restated the Statement of Loss and Comprehensive loss for the year ended May 31, 2018. Operating results and cash flow related to these assets and liabilities have been included as a net loss from discontinued operations in the consolidated statements of profit/(loss) and comprehensive profit/(loss), and as cash flow from discontinued operations in the consolidated statements of cash flows, respectively, as below.

Uruguay - Net liabilities of discontinued operations held for sale

	As at May 31, 2019
ASSETS	
Current assets	
Cash and cash equivalents	\$ 199
Accounts receivable and other assets	568
Inventories ⁽¹⁾	2,111
Total current assets	2,878
Property, plant and equipment	1,548
Restricted cash	12
Total assets	\$ 4,438
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 16,855
Current portion of long-term debt	1,517
Total current liabilities	18,372
Non-current liabilities	
Long-term debt	211
Environmental rehabilitation provision	2,896
Total liabilities	21,479
Net liabilities of discontinued operations held for sale	(17,041)

(1) Assets held for sale are measured at the lower of book value or fair value.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

6. Discontinued operations (continued)

Uruguay (continued)

Net loss and comprehensive loss from discontinued operations

	Year Ended May 31, 2019	Year Ended May 31, 2018
Gross profit		
Revenue	\$ 4,448	\$ 37,100
Cost of sales	(7,119)	(38,170)
Gross loss	(2,671)	(1,070)
Operating expenses		
Corporate and administrative expenses	(931)	(880)
Restructuring costs	(4,050)	(2,840)
Exploration and evaluation costs written off	(3)	(5,999)
Exploration expenses	(152)	-
Impairment of assets	-	(11,083)
Inventory write-downs	-	(1,161)
Obsolescence provision	(1,101)	(4,678)
Care and maintenance	(3,178)	-
Other income	380	971
Net finance cost (net)	2,389	(182)
Net foreign exchange	1,392	590
Loss before income tax	(7,925)	(26,332)
Expense for income taxes	-	(3,121)
Net loss and comprehensive loss for the year attributable to owners of the parent	\$ (7,925)	\$ (29,453)

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

6. Discontinued operations (continued)

Uruguay (continued)

Cash flow from discontinued operations

	Year Ended May 31, 2019	Year Ended May 31, 2018
Operating activities - discontinued operations		
Net loss for the year	\$ (7,925)	\$ (29,453)
Adjustments for:		
Depreciation	2,825	8,901
Impairment of assets	-	11,026
Inventory write-downs	403	1,161
Exploration and evaluation expenses written off	-	5,999
Obsolescence provision	1,100	4,678
Deferred income tax assets	-	3,115
Accretion of asset retirement obligation	(2,412)	(10)
Gain on sale assets	429	(770)
Other	350	(23)
Changes in non-cash working capital items:		
Accounts receivable and other assets	919	143
Inventories	2,485	1,217
Accounts payable and accrued liabilities	(519)	3,032
Net cash used in / provided by operating activities	(2,345)	9,016
Investing activities - discontinued operations		
Purchase of property, plant and equipment	(277)	(9,712)
Payments for Environmental rehabilitation	7	(122)
Proceeds from sale of fixed assets	1,916	782
Exploration and evaluation expenditures	-	(2,725)
Net cash used in investing activities	1,646	(11,777)
Financing activities - discontinued operations		
Loan proceeds	(185)	(357)
Loan payments	(213)	(202)
Advances received from Orosur Mining Inc	-	1,259
Net cash used in / provided by financing activities	(398)	700
Net change in cash and cash equivalents	(1,097)	(2,061)
Cash and cash equivalents, beginning of year	1,296	3,357
Cash and cash equivalents, end of year	\$ 199	\$ 1,296

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

6. Discontinued operations (continued)

Chile

In May 2018, the Company terminated the option agreement on its Anillo gold exploration project with Nacional del Cobre de Chile (“Codelco”), Chile’s national mining company, located close to Antofagasta, in Region II, Chile.

In July 2018, the Company sold its remaining 25% interest in Talca for a consideration of \$120k. With this sale, the Company is left with no interest or obligation in Talca.

Anillo

On May 24, 2018, the Company announced its decision to terminate the option agreement on its Anillo gold exploration project with Codelco. As result, as of May 31, 2018 an impairment of \$5,485 was recognized.

Talca

As of May 31, 2018, the related assets were disclosed as held for sale for \$120 and an impairment charge of \$1,802 was recognized for the year ended May 31, 2018. On July 2018, the company completed the sale of the mining property for a gross proceed of \$120.

Pantanillo

In October 2009, the Company entered in an option agreement with Anglo American Norte S.A (“Anglo”), a subsidiary of Anglo American plc.

Anglo and the Company signed on May 25, 2017 in Notary Public the re-purchase of the Pantanillo properties by Anglo in line with the decision made to discontinue with the project. The Company gave the mining concessions of this project back to Anglo in June 2017. As of May 31, 2019, the value of the related assets was \$nil (May 31, 2018 - \$nil).

Following the relinquishment by Fortune Valley Resources Chile S.A. (“FVRC”) of the Pantanillo project, Anglo American sought the payment of minimum royalties totaling US\$3 million and requested arbitration in September, 2017. Arbitration proceedings were conducted in Santiago, Chile. On March 28, 2019, the Arbitral Tribunal rendered its decision, ruling that FVRC is required to pay Anglo approximately US\$1.6 million plus interests at Chile’s current interest rate calculated from December 2015 until its effective payment. The Tribunal’s decision is exclusively against FVRC. Orosur was not named in the decision from the Tribunal nor was Orosur a party to the relevant agreements. The Company has recognized a provision of \$1.9 million in relation to this decision as at May 31, 2019.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

6. Discontinued operations (continued)

Chile (continued)

Accordingly, the assets and liabilities related to Chile have been reclassified as assets and liabilities of discontinued operations in the consolidated financial statements as at May 31, 2019. Operating results and cash flow related to these assets and liabilities have been included as a net loss from discontinued operations in the consolidated statements of profit/(loss) and comprehensive profit/(loss), and as cash flow from discontinued operations in the consolidated statements of cash flows, respectively.

As of May 31, 2019, the related assets were disclosed as held for sale for \$nil (May 31, 2018 - \$120) and a provision charge of \$1,802 (May 31, 2018 - \$1,802) related to the Pantanillo arbitration decision against FVRC was recognized. In July 2018, the company completed the sale of the Talca mining property for gross proceeds of \$120.

Net liabilities of discontinued operations held for sale

	As at May 31, 2019
ASSETS	
Current assets	
Cash and cash equivalents	\$ 14
Total assets	\$ 14
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities ⁽¹⁾	\$ 1,914
Total current liabilities	1,914
Net assets (liabilities) of discontinued operations held for sale	(1,900)

(1) Of which \$1,843 relates to the Pantanillo claim

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

6. Discontinued operations (continued)

Chile (continued)

Net loss and comprehensive loss from discontinued operations

	Year Ended May 31, 2019	Year Ended May 31, 2018
Exploration expenses	\$ (171)	\$ (275)
Exploration and evaluation costs written off	-	(6,222)
Other income	-	29
Foreign exchange gain	1	162
Royalty provision	(1,843)	-
Loss before income tax	(2,013)	(6,306)
Expense for income taxes	-	(239)
Net loss and comprehensive loss for the year attributed to the owners of the parent	\$ (2,013)	\$ (6,545)

Cash flow from discontinued operations

	Year Ended May 31, 2019	Year Ended May 31, 2018
Operating activities - discontinued operations		
Net loss for the year	\$ (2,013)	\$ (6,545)
Adjustments for:		
Exploration and evaluation expenses written off	-	6,222
Deferred income tax assets	-	239
Other	204	71
Changes in non-cash working capital items:		
Accounts receivable and other assets	13	19
Accounts payable and accrued liabilities	1,794	(207)
Net cash used in operating activities	(2)	(201)
Investing activities - discontinued operations		
Exploration and evaluation expenditures	-	(176)
Net cash used in investing activities	-	(176)
Financing activities - discontinued operations		
Advances received from Orosur Mining Inc	-	294
Net cash provided by financing activities	-	294
Net change in cash and cash equivalents	(2)	(83)
Cash and cash equivalents, beginning of year	16	99
Cash and cash equivalents, end of year	\$ 14	\$ 16

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7. Impairment

Property, Plant and equipment and development costs

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less cost of disposal ("FVLCD") and value in use ("VIU") approaches. The assessment is performed at the cash generating unit ("CGU") level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets.

Impairment indicators were identified for the Production (Uruguay) CGU for the year ended May 31, 2018. The Company has determined that the San Gregorio gold operations and minor satellite pits form the basis for the CGU of the Uruguayan operations.

A FVLCD model was used to determine the recoverable amount of the CGU utilizing discounted cash flows with market participant variables used as inputs.

For the year ended May 31, 2019, the Company recorded a non-cash impairment charge of \$152 for exploration and evaluation expenditures (May 31, 2018 - \$12,221).

As a result of the current circumstances, Loryser SA. (the wholly owned operating subsidiary in Uruguay) applied to commence reorganisation proceedings in Uruguay (note 6), and as such all assets are recorded as Assets held for sale in the consolidated statement of Financial Position as of May 31, 2019.

Impairment of exploration and evaluation costs

Management determined that based on the results of drilling activity completed during the prior, the carrying value of certain capitalized exploration expenditures attributed to specific projects was impaired as substantive expenditures or further exploration and evaluation activities in those areas were neither budgeted nor planned in the foreseeable future.

	Uruguay	Chile	Colombia	Total
Impairment of exploration and evaluation costs at May 31, 2019	152	-	-	152
Impairment of exploration and evaluation costs at May 31, 2018	5,999	6,222	-	12,221

8. Accounts receivable and other assets

Accounts receivable and other assets from continued operations

	May 31, 2019	May 31, 2018
Tax receivable ⁽¹⁾	\$ 11	\$ 633
Advance payments to suppliers	12	197
Marketable securities	-	8
Miscellaneous receivable ⁽²⁾	269	712
Total accounts receivable and other assets	\$ 292	\$ 1,550

(1) Tax receivable consists of refunds to be collected for Canadian GST / HST.

(2) Current miscellaneous receivable includes a receivable from Newmont of \$110 for FY 19 related to funding of the Anza project.

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8. Accounts receivable and other assets (continued)

Accounts receivable and other assets from discontinued operations (Chile and Uruguay)

	May 31, 2019	May 31, 2018
Tax receivable ⁽¹⁾	\$ 228	\$ 622
Advance payments to suppliers	162	195
Marketable securities	8	8
Miscellaneous receivable ⁽²⁾	170	663
Total accounts receivable and other assets	\$ 568	\$ 1,488

(1) Tax receivable consists of refunds to be collected for Uruguayan Value Added Tax

(2) Current miscellaneous receivable consists of expenses to be reimbursed by farm-out partners and suppliers.

9. Inventories

Inventories from continued operations

	May 31, 2019	May 31, 2018
Ore in stockpiles	\$ -	\$ 681
Gold in circuit	-	403
Finished metals	-	660
Mine operating supplies	-	4,356
Total Inventories	\$ -	\$ 6,100

Inventories from discontinued operations

	May 31, 2019	May 31, 2018
Ore in stockpiles	\$ -	\$ 681
Gold in circuit	-	403
Finished metals	-	660
Mine operating supplies	2,111	4,356
Total Inventories	\$ 2,111	\$ 6,100

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10. Property, plant and equipment

For the year ended May 31, 2018, the Company completed an assessment of the carrying value of its CGUs and recorded a non-cash impairment charge of \$11,082 for property, plant and equipment and development costs.

Cost	Development costs						Total
	Tangible fixed assets	Asset retirement obligation	Tangible underground development costs	Open pit and deferred stripping subject to depreciation	Development costs not subject to depreciation		
Balance, May 31, 2017	\$ 79,614	\$ 11,283	\$ 38,927	\$ 55,922	\$ 5,075	\$ 190,821	
Additions	3,828	122	5,529	130	225	9,834	
Reclassification from E&E	-	-	148	95	495	738	
Other	60	(216)	-	659	(662)	(159)	
Disposals	(2,007)	-	-	-	-	(2,007)	
Balance, May 31, 2018	81,495	11,189	44,604	56,806	5,133	199,227	
Additions	100	-	176	-	-	276	
Other	(1,876)	-	-	-	-	(1,876)	
Disposals	(18,482)	-	-	-	-	(18,482)	
Transfer to discontinued operations		(61,094)	(11,189)	(44,780)	(56,806)	(5,133)	
	(179,002)						
Balance, May 31, 2019	\$ 143	\$ -	\$ -	\$ -	\$ -	\$ 143	

Accumulated depreciation	Development costs						Total
	Tangible fixed assets	Asset retirement obligation	Tangible underground development costs	Open pit and deferred stripping subject to depreciation	Development costs not subject to depreciation		
Balance, May 31, 2017	\$ 75,117	\$ 10,491	\$ 32,277	\$ 54,131	\$ 2,644	\$ 174,660	
Depreciation for the year	2,837	178	4,964	922	-	8,901	
Disposals	(1,995)	-	-	543	(543)	(1,995)	
Impairment of assets	2,066	-	5,339	1,210	2,467	11,082	
Balance, May 31, 2018	\$ 78,025	\$ 10,669	\$ 42,580	\$ 56,806	\$ 4,568	\$ 192,648	
Depreciation for the year	-	-	(2,251)	-	-	(2,251)	
Disposals	(18,037)	-	-	-	-	(18,037)	
Other	-	-	-	492	-	492	
Transfer to discontinued operations		(59,932)	(10,669)	(40,329)	(57,298)	(4,568)	
	(172,796)						
Balance, May 31, 2019	\$ 56	\$ -	\$ -	\$ -	\$ -	\$ 56	

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10. Property, plant and equipment (continued)

Carrying amount	Development costs					Total
	Tangible fixed assets	Asset retirement obligation	Tangible underground development costs	Open pit and deferred stripping subject to depreciation	Development costs not subject to depreciation	
Balance, May 31, 2018	\$ 3,470	\$ 520	\$ 2,024	\$ -	\$ 565	\$ 6,579
Balance, May 31, 2019	\$ 87	\$ -	\$ -	\$ -	\$ -	\$ 87

11. Exploration and evaluation costs

The Company recorded an impairment charge of \$152 (May 31, 2018 - \$12,221) of which \$152 related to exploration projects in Uruguay (May 31, 2018 - \$5,999) and \$nil related to exploration projects in Chile (May 31, 2018 - \$6,222) (Note 6).

Year ended May 31, 2018	Uruguay	Chile	Colombia	Total
Balance, May 31, 2017	\$ 3,697	\$ 6,725	\$ 7,255	\$ 17,677
Additions	2,550	176	2,457	5,183
Foreign exchange movement	-	-	43	43
Other	487	(559)	-	(72)
Transfer to depreciable assets	(735)	-	-	(735)
Reclassification of assets held for sale	-	(120)	-	(120)
	Write-off (12,221)		(6,222)	-
Balance, May 31, 2018	-	-	9,755	9,755

No changes occurred during the year ended May 31, 2019 regarding the Company's exploration farm-in agreements, acquisitions and farm-out agreements and status of each project as reported at May 31, 2018, with the exception of the transaction with Newmont on the Anzá Project in Colombia (note 15(b)).

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11. Exploration and evaluation costs (continued)

Year ended May 31, 2019	Uruguay	Chile	Colombia	Total
Balance, May 31, 2018	\$ -	\$ -	\$ 9,755	\$ 9,755
Additions	152	-	427	579
Anzá Project option agreement payment	-	-	(310)	(310)
Foreign exchange movement	-	-	(889)	(889)
Write-off	(152)	-	-	(152)
Balance, May 31, 2019	\$ -	\$ -	\$ 8,983	\$ 8,983

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of continued operations

	May 31, 2019	May 31, 2018
Commercial suppliers	\$ 233	\$ 11,872
Salaries, labour benefits and social security contributions ⁽²⁾	2	5,136
Mining royalties, income and other taxes ⁽³⁾	-	837
Total accounts payable and accrued liabilities	\$ 235	\$ 17,845

Accounts payable and accrued liabilities of discontinued continued operations

	May 31, 2019	May 31, 2018
Commercial suppliers ⁽¹⁾	\$ 10,030	\$ 11,386
Salaries, labour benefits and social security contributions ⁽²⁾	6,113	5,136
Mining royalties, income and other taxes ⁽³⁾	2,626	837
Total accounts payable and accrued liabilities	\$ 18,769	\$ 17,359

(1) This includes amounts to be settled in accordance with the corresponding legal process under the Loryser Reorganization Proceedings.

(2) This includes a provision for a full reduction in Loryser staff in the case of a liquidation of Loryser which would include full labour liabilities associated with the retrenchment of the entire Loryser workforce as stipulated by the payment plan agreement with creditors (see note 6).

(3) This includes a \$1,843 provision regarding relinquishment by Fortune Valley Resources Chile S.A. ("FVRC") (an indirect, wholly-owned subsidiary of Orosur) of the Pantanillo project located in Chile, to Anglo American Inversiones SA regarding payment of minimum royalties.

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13. Long-term debt

Long term debt of continued operations

	May 31, 2019	May 31, 2018
Current financial debt ⁽¹⁾	-	(1,730)
Non-current debt	-	(211)
Net debt	\$ -	\$ (1,941)

Long term debt of discontinued operations

	May 31, 2019	May 31, 2018
Current financial debt ⁽¹⁾	1,517	(1,730)
Non-current debt	211	(211)
Net debt	\$ 1,728	\$ (1,941)

(1) Related to the line of credit in the amount of \$1,500 and the lease of six light vehicles and a drill rig. The total amount of the financial debt showing above is included under the Loryser reorganization proceedings (note 6).

14. 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 year ended May 31, 2019 and year ended May 31, 2018:

	May 31, 2019	May 31, 2018
Balance, beginning of year	\$ 5,422	\$ 5,648
Changes in cash flow estimates	(2,502)	(94)
Expenditure incurred in rehabilitation	(114)	(122)
Accretion expense	90	(10)
Balance at end of year	\$ 2,896	\$ 5,422
Less: current portion	-	(139)
Less: transferred to discontinued operations	(2,896)	-
Balance, end of year	\$ -	\$ 5,283

Loryser has a legal and constructive obligation to restore the San Gregorio operation when mining operations cease. This estimate is revised annually. The Company advances rehabilitation work previous to the closure date at its discretion

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and in accordance with DINAMA, the Uruguayan environmental agency.

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14. Environmental rehabilitation provision (continued)

As part of the negotiations with creditors, Loryser commenced discussions with DINAMA to agree a proposed closure plan of the operations in Uruguay.

Uruguayan mining and environmental legislation require environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit the total amount of \$1,351 (May 31, 2018 - \$1,351) had been provided by Santander Bank Uruguay and a local Uruguayan insurance company of \$1,200 and \$151, respectively. Before the expiration of the coverage period, DINAMA has executed these guarantees in order to secure the funds for the future remediation. Loryser is in discussions with DINAMA to collect these funds to contribute to the cost of remediation work at San Gregorio. Despite there is a potential exposure to the Company in the case DINAMA would refuse to provide the funds, the expectation is that DINAMA will be releasing the funds to Loryser as the remediation work keeps progressing.

15. Share capital

a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares (^{'000})	Amount \$
Balance, May 31, 2017	100,846	61,162
Private placement ⁽¹⁾	16,741	2,128
Balance, May 31, 2018	117,587	63,290
Private placement ⁽²⁾⁽³⁾	29,213	1,762
Issue costs of private placement ⁽⁴⁾	3,478	238
Balance, May 31, 2019	150,278	65,290

(1) On August 14, 2017, the Company raised 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 CDN\$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 gross proceeds were allocated to the warrants first and then to the shares. The fair value of the warrants of \$766 was estimated at the date of the grant using the Black-Scholes option pricing model with a risk-free rate of 1.27% and an annual volatility factor of 91.869%. It was recognized as a liability due to the exercise price is denominated in Canadian dollar. At the end of May 31, 2019 the fair value of the warrant was \$13. The broker's commissions and other related expenses of the issue amounted to \$329.

(2) On July 10, 2018, Newmont Mining Corporation advanced \$250 to subscribe for 3,603,077 common shares of Orosur at a price of CDN\$0.091 per share. The share price represents a 102% premium to the closing price of the Company's common shares on the Toronto Stock Exchange on July 9, 2018. This subscription was part of a \$2,000 non-brokered private placement completed on September 10, 2018 in conjunction with an exploration and option agreement on the Company's Anza exploration property in Colombia.

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15. Share capital (continued)

b) Common shares issued (continued)

(3) On September 10, 2018, the Company completed the non-brokered private placement of 29,213,186 common shares at CDN\$0.091 for aggregate proceeds of \$2,000 with Newmont (which included the initial advance of \$250 on July 10, 2018) and an exploration agreement with venture option with Newmont Colombia S.A.S., a wholly-owned subsidiary of Newmont, for the Anzá exploration property in Colombia. The Exploration and Option Agreement includes a three-phase earn-in structure allowing Newmont to earn up to a 75% ownership interest in the Anzá Project by spending a minimum of \$30,000 in qualifying expenditures over twelve years, completing an NI 43-101 compliant feasibility study and making cash payments to Orosur equalling a total of \$4,000 over Phases 1 and 2.

(4) On October 26, 2018, for its part in advising Orosur in the strategic agreement and private placement with Newmont Mining Corporation on September 10, 2018, Maxit Capital LP was issued 3,477,581 common shares in full satisfaction of fees equal to CDN\$250 and US\$50. The deemed price of the shares issued was CDN\$0.091 per share, equivalent to the price of the private placement with Newmont. The issuance of these shares to Maxit Capital LP has been recorded as a share issue cost.

16. 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 12 months from grant date and the final one-third vest 24 months from grant date. The following table summarizes information regarding the Company's outstanding options at May 31, 2019:

	Number of stock options (^{'000})	Weighted average exercise price (CDN \$)
Balance, May 31, 2017	7,222	\$ 0.19
Issued ⁽¹⁾	1,925	0.24
Expired	(203)	0.20
Balance, May 31, 2018	8,944	\$ 0.20
Issued ⁽²⁾	1,845	0.11
Expired	(2,372)	0.22
Balance, May 31, 2019	8,417	\$ 0.18

(1) On November 17, 2017, 1,925,000 options were granted to directors, officers and employees of the Company pursuant to the Company's stock option plan and \$22 of stock-based compensation expense was recorded for this grant. The fair value was determined based on the Black-Scholes option pricing model using the following assumptions: strike price – CDN\$0.24; risk free interest rate – 1.44%; expected daily volatility – 73.47%; expected life – 5 years; forfeiture rate – 10% and expected dividends - \$nil.

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16. Stock options (continued)

(2) On October 23, 2018, 1,845,000 options were granted to directors, officers and employees of the Company pursuant to the Company's stock option plan and \$13 of stock-based compensation expense was recorded for this grant. The fair value was determined based on the Black-Scholes option pricing model using the following assumptions: strike price – CDN\$0.11; risk free interest rate – 2.89%; expected volatility – 73.47%; expected life – 5 years; forfeiture rate – 10% and expected dividends - \$nil.

The following table reflects the actual stock options issued and outstanding as of May 31, 2019:

Expiry date	Exercise price (CDN \$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
December 10, 2019	0.19	0.53	1,940	1,940
January 20, 2021	0.11	1.64	1,285	1,285
March 4, 2021	0.13	1.76	194	194
June 1, 2021	0.18	2.01	129	129
September 1, 2021	0.28	2.26	83	83
November 30, 2021	0.235	2.50	1,638	1,638
November 17, 2022	0.24	3.47	1,533	1,050
October 23, 2023	0.11	4.40	1,615	572
	0.18	2.43	8,417	6,891

At May 31, 2019, there were 8,417 options outstanding, of which 6,891 were vested and exercisable (May 31, 2018 – 8,944 and 7,107, respectively). The weighted average exercise price of the options outstanding at May 31, 2019 was CDN\$0.18 (May 31, 2018 – CDN\$ 0.19).

During the year ended May 31, 2019, \$54 of compensation expense was recorded (\$57 for the year ended May 31, 2018).

17. Cost of sales

The Company's costs of sales for discontinued operations are comprised of the following

	Year Ended May 31, 2019	Year Ended May 31, 2018
Mining and transportation costs	\$ 1,315	\$ 14,307
Processing costs	1,320	9,549
Mine site administration costs	519	3,433
Change in stockpiles, gold in circuit and finished goods	1,085	970
Refinery charges	76	468
Depreciation	2,635	8,901
Mining royalties and other production tax	169	542
Total cost of sales	\$ 7,119	\$ 38,170

The San Gregorio mine was placed in care and maintenance in August 2018, and as such there were no costs related to sales of metals subsequent to that date.

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18. Income taxes

(a) Current and deferred income tax composition:

	Year Ended May 31, 2019	Year Ended May 31, 2018
Continuing operations		
Current income tax (expense) for the year	\$ -	\$ -
Deferred income tax recover	-	-
Total income tax recovery for the year	\$ -	\$ -
Discontinuing operations		
Current income tax (expense) for the year	\$ -	\$ (245)
Deferred income tax reconvert	-	(3,115)
Total income tax recovery for the year	-	(3,360)

Current tax expense for the year corresponds to the mandatory minimum income tax required to be paid by legal entities despite the fiscal losses calculated for the year.

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

	Year Ended May 31, 2019	Year Ended May 31, 2018
Continuing operations		
Balance, beginning of period	\$ -	\$ -
Recognized deferred tax recovery	-	-
Balance, end of year	\$ -	\$ -
Discontinuing operations		
Balance, beginning of period	\$ -	\$ 3,115
Recognized deferred tax recovery	-	(3,115)
Balance, end of year	\$ -	\$ -

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.

As of May 31, 2019, the Company has recognized \$nil (May 31, 2018 - \$nil) of deferred tax assets in respect of Uruguayan deductible temporary differences as projections of various sources of income support the conclusion that the realizability of these deferred tax assets is not probable.

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18. Income taxes (continued)

(c) Unrecognised tax benefits

At May 31, 2019, the Company had non-capital loss carry forwards of \$107,639 (May 31, 2018 - \$100,095). The losses at gross value by tax jurisdictions expire as shown in the following table.

	Barbados	Canada	Chile	Columbia	Uruguay	Total
May 2020	\$ 846	\$ -	\$ -	\$ -	\$ 7,673	\$ 8,519
May 2021	1,521	-	-	-	4,588	6,109
May 2022	1,766	-	-	-	8,842	10,608
May 2023	386	-	-	-	7,397	7,783
May 2024	608	-	-	-	7,923	8,531
May 2025	256	-	-	-	-	256
May 2026 to May 2037	-	14,169	-	-	-	14,169
No expiration term	-	-	51,664	-	-	51,664
Total	5,383	14,169	51,664	-	36,423	107,639

Deferred tax assets on the detailed tax loss carry forwards are not recognized because it is not probable there will be sufficient future taxable income generated by the subsidiaries where the losses are allocated.

(d) The provision for income tax differs from the weighted average statutory tax rates as follows:

	Year Ended May 31, 2019	Year Ended May 31, 2018
Profit/(Loss) before taxes	\$ (1,181)	\$ (848)
Income tax rate	26.5%	26.5%
Expected income tax (expense)/recovery	295	226
Tax effect of:		
Effect of lower jurisdictions tax rates	-	(62)
Foreign exchange rate	6	-
Other temporary differences not recognized	(301)	(164)
Income tax (expense)/recovery for the year	\$ -	\$ -

19. Loss per share

For the year ended May 31, 2019, basic and diluted loss per share for continued operations has been calculated based on the loss attributable to common shareholders of \$1,181 (year ended May 31, 2018 - \$848) and the weighted average number of common shares outstanding of 136,774 (year ended May 31, 2018 - 114,797).

For the year ended May 31, 2019, basic and diluted loss per share for discontinued operations has been calculated based on the loss attributable to common shareholders of \$9,938 (year ended May 31, 2018 - \$35,997) and the weighted average number of common shares outstanding of 136,774 (year ended May 31, 2018 - 114,797).

Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

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20. 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		Functional currency
		May 31, 2019	May 31, 2018	
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 Rios 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
Dalvàn 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%	Canadian dollar
Fortune Valley Resources Inc. BVI	BVI	100%	100%	Canadian dollar
Fortune Valley Resources Chile S.A.	Chile	100%	100%	Canadian dollar
Waymar Resources Ltd.	Canada	100%	100%	Canadian dollar
Cordillera Holdings International Ltd. BVI	BVI	100%	100%	Canadian dollar
Minera Anzà S.A. (BVI)	BVI	100%	100%	Canadian dollar
Minera Anzà S.A. (Colombia branch)	Colombia	100%	100%	Colombian peso
Anillo SPA	Chile	100%	81%	US dollar
Orosur Mining (UK) Limited	United Kingdom	100%	100%	US dollar

Compensation of key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the members of the Board of Directors of the Company (executive and non-executive) and the following key executives: Chief Executive Officer, Chief Financial Officer, VP New Business Development and Chief Operating Officer. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The Chief Executive Officer and the Chief Operating Officer are also directors of the Company but do not receive any compensation as director.

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20. Related parties (continued)

Compensation of key management personnel (continued)

The compensation paid or payable to key management was as follows:

	Year Ended May 31, 2019	Year Ended May 31, 2018
Salaries and other short term benefits	\$ 551	\$ 1,010
Directors fees	110	143
Share-based payments	22	27

Directors and key executives are also granted stock options to acquire the Company's shares. During the year ended May 31, 2019, 615,000 options were granted to directors (year ended May 31, 2018 – 515,000) and 360,000 stock options were granted to executive officers (year ended May 31, 2018 – 200,000). During the year ended May 31, 2019, nil stock options were exercised by directors (year ended May 31, 2018 – nil) and nil stock options were exercised by executive officers (year ended May 31, 2018 – nil). The Company's weighted average share price for the options granted to key management for the year ended May 31, 2019 was CDN\$0.11 (year ended May 31, 2018 – CDN\$0.20).

21. Segmented information

As noted in note 2 of the Company's financial statements for the year ended May 31, 2019, the Company identifies three operating segments, namely Uruguay segment, exploration segment and corporate segment that management reviews regularly in order to evaluate their performance and make decisions about resources to be allocated. As already explained, Uruguay and Chile are considered within those segments however as discontinued operations,

	(Discontinued)				
	(Uruguay)	Exploration (Chile)	Exploration (Columbia)	Corporate	Total
Year ended May 31, 2019					
Sales	\$ -	\$ -	\$ -	\$ -	\$ -
Exploration expenses	-	-	(45)	-	(45)
Exploration expenses and write off	-	-	-	(7)	(7)
Restructuring costs	-	-	-	-	-
Corporate and admin expenses	-	-	-	(1,653)	(1,653)
Other income	-	-	3	500	503
discontinued operations	(7,925)	(2,013)	-	-	(9,938)
Total segment loss	\$ (7,925)	\$ (2,013)	\$ (42)	\$ (1,160)	\$ (11,140)

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

(Expressed in thousands of United States Dollars)

21. Segmented information (continued)

(Discontinued)

	(Uruguay)	Exploration (Uruguay)	Exploration (Chile)	Exploration (Columbia)	Corporate	Total
Year ended May 31, 2018						
Sales	\$ 37,100	\$ -	\$ -	\$ -	\$ -	\$ 37,100
Cost of sales	(38,170)	-	-	-	-	(38,170)
Exploration expenses	-	(9)	-	(198)	-	(207)
Exploration and evaluation costs written off	-	(5,999)	-	-	-	(5,999)
Obsolescence provision	(4,678)	-	-	-	-	(4,678)
	Restructuring costs	(2,840)	-	-	-	-
	-	(2,840)	-	-	-	-
Impairment of assets	(11,083)	-	-	-	-	(11,083)
Inventories write-down	(1,161)	-	-	-	-	(1,161)
	Corporate and admin expenses	-	-	-	-	-
	(2,231)	(2,231)	-	-	-	-
Other income	995	-	-	-	-	995
Discontinued operations	-	-	(6,467)	-	-	(6,467)
Total segment loss	\$ (19,837)	\$ (6,008)	\$ (6,467)	\$ (198)	\$ (2,231)	\$ (34,741)
Investment in exploration and evaluation	-	2,550	176	2,457	-	5,183
Investment in PP&E	9,712	-	-	-	-	9,712

Reconciliation of segmented loss to net loss for the period is as follows:

	Year Ended May 31, 2019	Year Ended May 31, 2018
Segment (loss) continued operations	\$ (1,202)	\$ (1,534)
Segment (loss) discontinued operations	(9,938)	(35,997)
Net finance cost	(13)	5
Loss on fair value of financial instruments, net	57	680
Net foreign exchange gain	(23)	1
Cumulative translation adjustment	(741)	(22)
Income tax provision	-	-
Total comprehensive loss for the period	\$ (11,860)	\$ (36,867)