
OROSUR MINING INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF UNITED STATES
DOLLARS)



Independent auditor's report

To the Shareholders of Orosur Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Orosur Mining Inc. and its subsidiaries (together, the Company) as at May 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at May 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in deficit for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



The engagement partner on the audit resulting in this independent auditor's report is Chong Ho Song.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
September 27, 2022

Orosur Mining Inc.

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

	As at May 31, 2022	As at May 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,221	\$ 6,958
Restricted cash (note 16)	353	1,367
Accounts receivable and other assets (note 7)	186	201
Assets held for sale in Uruguay (note 6)	1,160	2,314
Total current assets	5,920	10,840
Non-current assets		
Property, plant and equipment (note 9)	113	124
Exploration and evaluation assets Colombia (note 10)	5,441	5,148
Total assets	\$ 11,474	\$ 16,112
LIABILITIES AND (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	\$ 389	\$ 486
Liabilities of Chile discontinued operation (note 6)	2,058	2,047
Warrant liability (note 12)	168	1,734
Liabilities held for sale in Uruguay (note 6)	13,134	16,830
Total current liabilities	15,749	21,097
Deficit		
Share capital (note 15)	69,339	69,333
Shares held by Trust (note 16)	-	(165)
Contributed surplus	10,540	8,591
Currency translation reserve	(2,125)	(1,826)
Deficit	(82,029)	(80,918)
Total deficit	(4,275)	(4,985)
Total liabilities and deficit	\$ 11,474	\$ 16,112

Nature of operations and going concern (note 1)

Subsequent events (note 23)

Approved on behalf of the Board:

(Signed) "Louis Castro" Chairman of the Board

(Signed) "Thomas Masney" 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, 2022	Year Ended May 31, 2021
Operating expenses		
Corporate and administrative expenses	\$ (1,792)	\$ (1,206)
Exploration expenses	(143)	(29)
Share-based compensation	(887)	(1,048)
Other income	23	21
Net finance cost	(19)	(187)
Gain on fair value of warrants (note 12)	1,566	627
Foreign exchange (loss) gain net	(193)	110
Net (loss) for the year for continued operations	\$ (1,445)	\$ (1,712)
Other comprehensive (loss) income:		
Cumulative translation adjustment	\$ (299)	\$ 190
Total comprehensive (loss) for the year from continued operations	(1,744)	(1,522)
Income (loss) from discontinued operations (note 6)	334	(171)
Total comprehensive (loss) for the year	(1,410)	(1,693)
Basic and diluted net (loss) per share for continued operations (note 19)	\$ (0.01)	\$ (0.01)
Basic and diluted net (loss) income per share for discontinued operations (note 19)	\$ 0.00	\$ (0.00)
Weighted average number of common shares outstanding	188,432	173,825

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, 2022	Year Ended May 31, 2021
		(Revised Note 21)
Operating activities		
Net loss for the year for continued and discontinued operations	\$ (1,111)	\$ (1,883)
Adjustments for:		
Depreciation / Write downs	(121)	356
Share-based payments	887	1,048
Payments for environmental rehabilitation	(705)	(708)
Labor provision adjustments	(1,177)	(1,472)
Obsolescence provision	(1,240)	443
Fair value of warrants	(1,566)	(627)
Accretion of asset retirement obligation	(140)	4
Gain on sale of property, plant and equipment	(462)	(379)
Foreign exchange and other	335	440
Changes in non-cash working capital items:		
Accounts receivable and other assets	30	73
Inventories	1,723	247
Accounts payable and accrued liabilities	(2,203)	480
Net cash used in operating activities	(5,750)	(1,978)
Investing activities		
Increase (decrease) in the restricted cash	1,014	(1,367)
Proceeds received for sale of property, plant and equipment	462	758
Purchase of property, plant and equipment	(3)	(59)
Proceeds received from exploration and option agreement	1,365	4,659
Exploration and evaluation expenditures	(1,780)	(3,087)
Net cash provided by investing activities	1,058	904
Financing activities		
Issue of common shares	-	5,154
Proceeds from the sale of treasury shares	1,228	1,879
Proceeds from exercise of options	4	455
Proceeds from exercise of warrants	-	308
Net cash provided by financing activities	1,232	7,796
Net Change in cash and cash equivalents	(3,460)	6,722
Net change in cash classified within assets held for sale	723	(546)
Cash and cash equivalents, beginning of year	6,958	782
Cash and cash equivalents, end of year	\$ 4,221	\$ 6,958
Operating activities		
- continued operations	(4,565)	(1,766)
- discontinued operations	(1,185)	(212)
Investing activities		
- continued operations	596	146
- discontinued operations	462	758
Financing activities		
- continued operations	1,232	7,796

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

Orosur Mining Inc.

Consolidated Statements of Changes in Deficit (Expressed in thousands of United States dollars)

	Share capital	Shares issued to Trust	Contributed surplus	Currency translation reserve	Deficit	Total
Balance, May 31, 2020	\$ 65,670	\$ (380)	\$ 5,987	\$ (2,016)	\$ (79,035)	\$ (9,774)
Private placement	2,601	-	-	-	-	2,601
Shares sold by Trust (note 16)	-	215	1,665	-	-	1,880
Warrants exercised	499	-	-	-	-	499
Options exercised	563	-	(109)	-	-	454
Stock-based compensation	-	-	1,048	-	-	1,048
Currency translation adjustment	-	-	-	190	-	190
Net loss for the year for continued operations	-	-	-	-	(1,712)	(1,712)
Net loss for the year for discontinued operations	-	-	-	-	(171)	(171)
Balance, May 31, 2021	\$ 69,333	\$ (165)	\$ 8,591	\$ (1,826)	\$ (80,918)	\$ (4,985)
Shares sold by Trust (note 16)	-	165	1,063	-	-	1,228
Options exercised	6	-	(1)	-	-	5
Stock-based compensation	-	-	887	-	-	887
Currency translation adjustment	-	-	-	(299)	-	(299)
Net loss for the year for continued operations	-	-	-	-	(1,445)	(1,445)
Net loss for the year for discontinued operations	-	-	-	-	334	334
Balance, May 31, 2022	\$ 69,339	\$ -	\$ 10,540	\$ (2,125)	\$ (82,029)	\$ (4,275)

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, 2022 and 2021

(Expressed in thousands of United States dollars)

1. Nature of operations and going concern

Orosur Mining Inc. ("Orosur" or "the Company") is a minerals explorer and developer, focused on identifying and advancing projects in South America. The Company currently operates in Colombia, Brazil and Argentina and has discontinued operations in Uruguay.

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 TSX Venture Exchange (TSXV) in Canada and the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom. On November 1, 2021, the Company received approval to transfer from the Toronto Stock Exchange (TSX) to the TSXV. The Company's registered office is Suite 1010 - 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

Orosur operates in Colombia, Argentina, Brazil and Uruguay. In Colombia, the Company conducts exploration activities and has a farm-in exploration agreement with Monte Águila ("MMA"). MMA is a 50/50 JV between Newmont Corporation ("Newmont") (NYSE:NEM, TSX:NEM) and Agnico Eagle Mines Limited ("Agnico") (TSX:AEM), and is the Colombian vehicle by which these two companies jointly exercise their rights and obligations with respect to the Exploration Agreement over the Project 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 to settle its liabilities in Uruguay by selling its assets at San Gregorio and the issuing of common shares of Orosur (note 6). The Company has recently entered into joint venture agreements with partners in Brazil and Argentina to explore for tin and gold/silver respectively.

Going concern uncertainty

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities that 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. In line with negotiations and the final agreement (the "Agreement") as of December 17, 2018 with creditors in Uruguay (see note 6), the Company's Uruguayan subsidiary Loryser S.A. ("Loryser") 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 is unknown at this time. The Agreement contemplates those net proceeds from the sale of Loryser's assets in Uruguay together with the issuance of 10 million common shares of Orosur (see note 16) 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 are consolidated in the financial statements as assets and liabilities held for sale and profit and loss from discontinuing operations. The Agreement was ratified by the Court in September 2019. The ratification by the Court means that the Agreement is legally binding on all trade creditors and that the Intervenor's control over Loryser ceases. On December 6, 2019, 10,000,000 common shares were issued to a trust for the benefit of Loryser's creditors and the funds from the sale of these shares have been applied as contemplated in the court-approved Agreement. As at May 31, 2022, all common shares have been sold (note 16).

As at May 31, 2022, the Company had cash of \$4,221 (May 31, 2021 - \$6,958) and a net working capital deficiency of \$9,829 (May 31, 2021 - \$10,257). During the year ended May 31, 2022, the Company carried an accumulated deficit of \$82,029 (May 31, 2021 - \$80,918).

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

1. Nature of operations and going concern (continued)

Going concern uncertainty (continued)

The Company's continuance as a going concern is dependent on its ability to obtain adequate financing. These material uncertainties may cast significant doubt on 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, with the private placement in December 2020, which raised gross proceeds of £4 million (\$5,372), and was successful in reaching a payment plan agreement with creditors in Uruguay in December 2018, (Court approval received September 13, 2019), there is no assurance on how 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.

The consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and consolidated statements of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

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 issued and outstanding as of September 26, 2022, 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 the percentage owned by Orosur. All inter-company transactions and balances have been eliminated on 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 consolidated statements of financial position 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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Foreign currency translation (continued)

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).

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

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Property, plant and equipment and development costs (continued)

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.

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 consolidated statements of loss and comprehensive (loss) 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 cashflows include 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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Impairment of non-financial assets (continued)

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.

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 are recognized as expenses as they are incurred. The Company also recognizes E&E costs, such as rights to explore, as intangible assets when acquired as part of a business combination, or an asset purchase. 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. On 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 coincide 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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Exploration and evaluation costs ("E&E") (continued)

The recoverability of amounts shown for E&E costs is dependent on the discovery of economically recoverable reserves. The exploration assets are reassessed on a regular basis for impairment. An impairment trigger is identified for an exploration asset 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 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 data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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 consolidated statements of cash flows, whereas E&E costs expensed as incurred are included under the Company's operating activities in the consolidated statements of cash flows.

Consideration, in the form of cash and/or shares received under exploration and option agreement, is applied against the acquisition cost of the exploration property and related exploration and evaluation assets. Consideration, in excess of the acquisition cost and related exploration and evaluation on the exploration property, is to be reported as income for the period and is to be included as income in the consolidated statements of operations and comprehensive loss.

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 no longer has a producing asset. The San Gregorio gold operation in the north of Uruguay (UY) is currently in care and maintenance.

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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Inventories

Cost of inventories is 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.

Income taxes

The income tax expense or benefit for the period consists 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 statements of financial position 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 statements of financial position 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 statement of financial position 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 statements of loss and comprehensive income (loss) 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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Provision for environmental rehabilitation (continued)

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.

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, are charged as finance cost in each accounting period and result 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 that 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.

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, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Share-based compensation

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. On 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 vests 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

Under IFRS 9, Financial Instruments, 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.

Financial assets

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

Financial assets recorded at 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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Financial instruments (continued)

Financial liabilities (continued)

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.

Classification of financial instruments

All financial assets not classified at amortized cost or 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 the objective of which 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 statements 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 statements of loss and comprehensive income (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 under IFRS 9 for each financial instrument:

Classification	IFRS 9
Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Restricted cash	Amortized cost
Amounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Warrants	FVTPL

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Assets (or disposal groups) held for sale and discontinued operations: Uruguay

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 discontinued operations: in Chile, after all its mining assets have been sold or returned. In Uruguay, in line with the Agreement signed in December 2018 with creditors, the Company subsidiary Loryser, is required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. The Agreement was ratified by the court in September 2019 and the process to sell the assets and fulfil the liabilities is well advanced.

An impairment loss is recognized for any initial or subsequent writedown of the asset (or disposal group) to fair value less costs to sell. A gain is recognized 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 recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

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 recognized.

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 consolidated statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statements of financial position.

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 consolidated statements of loss and income (loss).

New standards adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after May 31, 2021. Many are not applicable or do not have a significant impact to the Company's consolidated financial statements.

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

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after June 01, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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 revenue 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 revenue and expenses presented in these consolidated financial statements. The areas that require management to make significant judgments, estimates and assumptions are discussed below.

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. The Company's list of subsidiaries is included in note 20, including percentage owned by Orosur and includes the Company's subsidiaries in Uruguay, Chile and Colombia. In each case the management has deemed that Orosur has control over these and all other subsidiaries on the measures set out above.

Discontinued operations

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.

The Company is accounting for its activities in Chile and Uruguay as discontinued. Chile is recognized as a discontinued operation after all of its mining assets were sold or returned. In Uruguay, the operations are on a care and maintenance basis and the Company's subsidiary, Loryser S.A. is well advanced in the sale of its assets and the liquidation of its liabilities and commitments in other than the normal course of business.

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.

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.

Share-based compensation

The Company uses the fair value method to account for share-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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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

Warrant liability

The fair value of the warrant liability is measured using a Black-Scholes pricing model. Assumptions and estimates are made in determining an appropriate risk-free interest rate, volatility, term, dividend yield, discount due to exercise restrictions, and the fair value of common stock. Any significant adjustments to the unobservable inputs would have a direct impact on the fair value of the warrant liability.

4. Capital risk management

The Company capital management objectives are to safeguard its ability to support its 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, on 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, on 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 that all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- ◆ Level 3: Techniques that use inputs that have a significant effect on the recorded fair value, which are not based on observable market data.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

5. Financial instruments (continued)

In these consolidated financial statements, classification of assets and liabilities measured at fair value is as follows:

As at May 31, 2022	Level 1	Level 2	Level 3
Accounts receivable and other assets	\$ 158	\$ -	\$ -
Accounts payable and accrued liabilities	(389)	-	-
Warrant liability (note 12)	-	-	(168)
	\$ (231)	\$ -	\$ (168)

As at May 31, 2021	Level 1	Level 2	Level 3
Accounts receivable and other assets	\$ 169	\$ -	\$ -
Accounts payable and accrued liabilities	(486)	-	-
Warrant liability (note 12)	-	-	(1,734)
	\$ (317)	\$ -	\$ (1,734)

During the year ended May 31, 2022 and 2021, there were no transfers of amounts between fair value levels.

Financial risks

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

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 Anz  S.A., the functional currency of which is the Canadian dollar and Minera Anz  S.A. (Colombia branch), the functional currency of which 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 peso 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, to nor has it entered into derivatives to mitigate foreign currency risks.

During the year ended May 31, 2022, the Uruguayan peso (UY\$) appreciated by 9% (year ended May 31, 2021 depreciated by 1.24%) against the US dollar. The exchange rate as of May 31, 2022 was UY\$39.902 per 1 US dollar (May 31, 2021 UY\$43.847).

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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

5. Financial instruments (continued)

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 10), and plans to cover its obligations and liabilities in Uruguay by selling its assets there as per the terms of the Agreement (note 6).

As at May 31, 2022, the Company had cash and cash equivalents of \$4,221 (May 31, 2021 - \$6,958), and total current assets of \$5,920 (May 31, 2021 - \$10,840) to settle current trade and other accrued liabilities of \$389 (May 31, 2021 - \$486) and liabilities of Chile discontinued operation of \$2,058 (May 31, 2021 - \$2,047). None of the cash in Loryser, 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 (Uruguay) have assets held for sale of \$1,160 and liabilities held for sale of \$13,134. Assets held for sale are measured at the lower of book value or fair value.

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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

6. Discontinued operations

Uruguay

On June 14, 2018, Loryser (the Company's operating subsidiary in Uruguay) applied to commence reorganization proceedings under Uruguayan legislation (Act N°18.387) (the "Loryser Reorganization 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 Reorganization 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.

In December 2018, Loryser reached a payment plan agreement with creditors in Uruguay ("Agreement"). In May 2019, the Court approved the final list of creditors and Loryser's independent assets valuation. In August 2019, the Intervenor filed a report informing the Court that it had verified that 71.48% of the trade 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.

The Agreement was approved by the Reorganization court in Montevideo and the Court decree was publicly posted on September 12, 2019 and became final and binding for all trade creditors on September 20th 2019.

On December 6, 2019, 10,000,000 common shares of Orosur were issued to a trust for the benefit of Loryser's creditors as contemplated in the court Agreement (note 16).

In line with negotiations and the Agreement with creditors in Uruguay, 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. The Agreement contemplates that by September 2021 (or, as may be extended to a later date by the Court, in order to maximise the fulfilment of the Agreement in the face of delays caused by the Covid pandemic) the net proceeds from the sale of Loryser's assets in Uruguay together with the sale of the issued 10 million common shares of Orosur (see note 16) shall satisfy all amounts owing to Loryser's creditors, as well as provide funds for Loryser to pay its former employees and to conduct this process and close the operation responsibly.

During the course of the year, Loryser agreed and paid for the settlements with all of its former employees, with the proceeds received from the sale of certain of its assets including the 10 million shares mentioned above. Certain progress was made on the sale of Loryser's other assets including plant and equipment. The proceeds from all of these sales will be used to pay liabilities in Uruguay in connection with the aforementioned Creditors Agreement.

Accordingly, the assets and liabilities related to Uruguay have been reclassified as assets and liabilities of discontinued operations in the consolidated financial statements. Operating results and cash flows related to these assets and liabilities have been included as a net loss from discontinued operations in the consolidated statements of loss and comprehensive income (loss), and as cash flows from discontinued operations in the consolidated statements of cash flows.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

6. Discontinued operations (continued)

Uruguay (continued)

Uruguay - Net liabilities of discontinued operations held for sale

	As at May 31, 2022	As at May 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 151	\$ 874
Accounts receivable and other assets (note 7)	105	127
Inventories ⁽¹⁾ (note 8)	325	589
Total current assets	581	1,590
Property, plant and equipment ⁽¹⁾ (note 9)	568	713
Restricted cash	11	11
Total assets	\$ 1,160	\$ 2,314
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	\$ 10,498	\$ 13,471
Borrowings ⁽²⁾ (note 13)	1,361	1,239
Environmental rehabilitation provision (note 14)	459	1,823
Total current liabilities	12,318	16,533
Non-current liabilities		
Environmental rehabilitation provision (note 14)	816	297
Total liabilities	13,134	16,830
Net liabilities of discontinued operations held for sale	(11,974)	(14,516)

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

(2) These borrowings will be treated equivalently to other accounts payable as part of the Loryser Reorganization Proceedings as they rank *pari passu* with trade creditors.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

6. Discontinued operations (continued)

Uruguay (continued)

Net (loss) income and comprehensive (loss) income from discontinued operations

	Year Ended May 31, 2022	Year Ended May 31, 2021
Operating expenses		
Corporate and administrative expenses	\$ 280	\$ (50)
Obsolescence provision	1,240	(443)
Care and maintenance	1,023	(893)
Other (expense) income	(1,027)	1,067
Net finance cost (net)	139	(5)
Net foreign exchange	(1,263)	207
Income (loss) income before income tax	392	(117)
Net (loss) income and comprehensive (loss) income for the period attributable to owners of the parent	\$ 392	\$ (117)

Cash flows from discontinued operations

	Year Ended May 31, 2022	Year Ended May 31, 2021
Operating activities - discontinued operations		(Revised Note 21)
Net (loss) income for the year	\$ 392	\$ (117)
Adjustments for:		
Non-cash write-down	(75)	377
Payments for environmental rehabilitation	(705)	(708)
Obsolescence provision	(1,240)	443
Accretion of asset retirement obligation	(140)	4
Labor provision adjustments	(1,177)	(1,472)
(Gain) on sale of fixed assets	(462)	(379)
Other and foreign exchange	2,654	989
Changes in non-cash working capital items:		
Accounts receivable and other assets	21	141
Inventories	1,723	247
Accounts payable and accrued liabilities	(2,176)	263
Net cash provided by (used in) operating activities	(1,185)	(212)
Investing activities - discontinued operations		
Proceeds from sale of fixed assets	462	758
Net cash (used in) provided by investing activities	462	758
Net Change in cash and cash equivalents	(723)	546
Cash and cash equivalents, beginning of year	874	328
Cash and cash equivalents, end of year	\$ 151	\$ 874

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(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.

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 repurchase of the Pantanillo properties by Anglo in line with the decision made to discontinue the project. The Company gave the mining concessions of this project back to Anglo in June 2017.

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 interest 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 on consolidation a provision of \$1.9 million in relation to this decision as at May 31, 2022 for FVRC (May 31, 2021 - \$1.9 million).

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, 2022. Operating results and cash flows related to these assets and liabilities have been included as a net loss from continued operations in the consolidated statement of loss and comprehensive income (loss), and as cash flows from discontinued operations in the consolidated statements of cash flows, respectively.

As at May 31, 2022, a provision charge of \$2,058, including interest (May 31, 2021 - \$2,000, including interest) related to the Pantanillo arbitration decision against FVRC was recognized.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

6. Discontinued operations (continued)

Chile (continued)

Chile - Net liabilities of discontinued operations

	As at May 31, 2022	As at May 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents ⁽¹⁾	\$ 13	\$ 4
Total assets	\$ 13	\$ 4
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities ⁽²⁾	\$ 2,058	\$ 2,047
Total current liabilities	2,058	2,047
Liabilities of Chile discontinued operation	2,058	2,047

(1) Cash and cash equivalents of \$13 (May 31, 2021: \$4) have been classified to cash and cash equivalents of continuing operations.

(2) Of which \$2,058 (May 31, 2021 - \$2,000) relates to the Pantanillo claim and interest.

Net loss and comprehensive loss from Chile discontinued operations

	Year Ended May 31, 2022	Year Ended May 31, 2021
Operating expenses		
Net finance cost (net)	\$ (58)	\$ (54)
Net loss and comprehensive loss for the year attributed to the owners of the parent	\$ (58)	\$ (54)

7. Accounts receivable and other assets

Accounts receivable and other assets from continued operation

	May 31, 2022	May 31, 2021
Tax receivable ⁽¹⁾	\$ 28	\$ 32
Deposit	85	78
Miscellaneous receivable	73	91
Total accounts receivable and other assets	\$ 186	\$ 201

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

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

7. Accounts receivable and other assets (continued)

Accounts receivable and other assets from discontinued operations (Uruguay)

	May 31, 2022	May 31, 2021
Tax receivable ⁽¹⁾	\$ 60	\$ 22
Advance payments to suppliers	-	66
Marketable securities	8	8
Miscellaneous receivable	37	31
Total accounts receivable and other assets	\$ 105	\$ 127

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

8. Inventories

Inventories from discontinued operations (Uruguay)

	May 31, 2022	May 31, 2021
Mine supplies	\$ 325	\$ 589
Total inventories	\$ 325	\$ 589

9. Property, plant and equipment

Property, plant and equipment from continued operations

Cost	Tangible fixed assets	Total
Balance, May 31, 2020	\$ 129	\$ 129
Additions	59	59
Balance, May 31, 2021	188	188
Additions	3	3
Other	(9)	(9)
Balance, May 31, 2022	\$ 182	\$ 182

Accumulated depreciation	Tangible fixed assets	Total
Balance, May 31, 2020	\$ 57	\$ 57
Depreciation for the year	7	7
Balance, May 31, 2021	\$ 64	\$ 64
Depreciation for the year	8	8
Other	(3)	(3)
Balance, May 31, 2022	\$ 69	\$ 69

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

9. Property, plant and equipment (continued)

Carrying amount	Tangible fixed assets	Total
Balance, May 31, 2021	\$ 124	\$ 124
Balance, May 31, 2022	\$ 113	\$ 113

Property, plant and equipment from discontinued operations (Uruguay)

Cost	Tangible fixed assets	Tangible underground development costs	Total
Balance, May 31, 2020	\$ 56,942	\$ 5,133	\$ 62,075
Other -	(157)	-	(157)
Disposals	(5,423)	-	(5,423)
Balance, May 31, 2021	51,362	5,133	56,495
Other	(145)	-	(145)
Disposals	(4,308)	-	(4,308)
Balance, May 31, 2022	\$ 46,909	\$ 5,133	\$ 52,042

Property, plant and equipment from discontinued operations (Uruguay)

Accumulated depreciation	Tangible fixed assets	Tangible underground development costs	Total
Balance, May 31, 2020	\$ 56,239	\$ 4,641	\$ 60,880
Disposals	(5,082)	-	(5,082)
Other	(16)	-	(16)
Balance, May 31, 2021	\$ 51,141	\$ 4,641	\$ 55,782
Disposals	(4,308)	-	(4,308)
Balance, May 31, 2022	\$ 46,833	\$ 4,641	\$ 51,474

Carrying amount	Tangible fixed assets	Tangible underground development costs	Total
Balance, May 31, 2021	\$ 221	\$ 492	\$ 713
Balance, May 31, 2022	\$ 76	\$ 492	\$ 568

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

10. Exploration and evaluation costs

No material changes occurred during the year ended May 31, 2022 regarding the Company's exploration farm-in agreements, acquisitions and farm-out agreements and status of each project as reported at May 31, 2021.

Year ended May 31, 2021	Colombia
Balance, May 31, 2020	\$ 6,479
Additions	3,094
Anzá Project option agreement payment	(4,659)
Foreign exchange differences	234
Balance, May 31, 2021	\$ 5,148

Year ended May 31, 2022	Colombia
Balance, May 31, 2021	\$ 5,148
Additions	1,786
Anzá Project option agreement payment	(1,365)
Foreign exchange movement	(128)
Balance, May 31, 2022	\$ 5,441

Strategic Alliance with Newmont and Agnico

On September 10, 2018, the Corporation completed an exploration agreement with venture option with Newmont Colombia S.A.S., a wholly-owned subsidiary of Newmont Corporation for the Anzá exploration property. 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 \$30.0 million in qualifying expenditures over twelve years, completing an NI 43-101 compliant feasibility study and making cash payments to Orosur equalling a total of \$4.0 million over Phases 1 and 2. In Phase 1, Newmont may earn a 51% ownership interest by spending \$10.0 million in qualifying expenditures over four years and making cash payments to Orosur equalling a total of \$2.0 million during the first two years of the Phase 1 earn-in period. Upon Newmont's completion of Phase 1, it may elect, in its sole discretion, to exercise its option to form a joint venture with Orosur. In Phase 2, Newmont may elect to earn an additional 14% ownership interest in the Anzá Project by sole funding \$20.0 million in qualifying expenditures within four years, completing an NI 43-101 compliant pre-feasibility study and making cash payments to Orosur equalling a total of \$2.0 million. In Phase 3, Newmont may elect to earn an additional 10% ownership interest in the Anzá Project by completing an NI 43-101 compliant feasibility study within four years. During the year ended May 31, 2021, Newmont Corporation entered into a Joint Venture Agreement ("Joint Venture") with Agnico whereby the two companies will jointly assume and advance Newmont's prior rights and obligations with respect to the Anzá Project in Colombia on a 50-50 basis, with Agnico as operator of the Joint Venture. The JV vehicle in Colombia, owned 50:50 by Newmont and Agnico is Minera Monte Aguila.

As at May 31, 2022, no indicators of impairment were noted on the Company's exploration and evaluation projects.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of continued operations

	May 31, 2022	May 31, 2021
Commercial suppliers	\$ 333	\$ 405
Salaries, labour benefits and social security contributions	56	81
Total accounts payable and accrued liabilities	\$ 389	\$ 486

Accounts payable and accrued liabilities of discontinued continued operations (Uruguay)

	May 31, 2022	May 31, 2021
Commercial suppliers ⁽¹⁾	\$ 9,925	\$ 9,768
Salaries, labour benefits and social security contributions ⁽²⁾	-	3,178
Mining royalties and other taxes	573	525
Total accounts payable and accrued liabilities	\$ 10,498	\$ 13,471

(1) This includes amounts to be settled in accordance with the corresponding legal process under the Loryser Reorganization Proceedings (see note 6).

(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).

12. Warrant liability

In December 2020, the Company completed a private placement financing consisting of one (1) common share in the capital stock of the Company ("Common Share") and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire an additional Common Share at a price of 25.5 pence for a period of 2 years from the date of issuance. Under IFRS, warrants issued with an exercise price denominated in a foreign currency are considered financial derivative instruments and the prescribed accounting treatment is to classify these warrants as a current liability measured at fair value upon initial recognition. At each subsequent reporting date, the warrants are re-measured at fair value and the change in fair value is recognized through profit or loss. Upon warrant exercise, the fair value previously recognized in warrant liability is transferred from warrant liability to share capital (note 15).

The following table summarizes the changes in the warrant liabilities for the periods ending May 31, 2022 and May 31, 2021:

Details related to the warrant liability are summarized below.

	As at May 31, 2022	As at May 31, 2021
Opening balance	\$ 1,734	\$ -
Fair value on warrants issued	-	2,552
Fair value adjustment	(1,566)	(627)
Warrants exercises	-	(191)
Closing balance	\$ 168	\$ 1,734

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

12. Warrant liability (continued)

	As at May 31, 2022	As at May 31, 2021
Opening balance, outstanding warrants	10,897	-
Warrants issued	-	11,765
Warrants exercised	-	(868)
Closing balance, outstanding warrants	10,897	10,897

The warrants were assigned using the Black-Scholes valuation model. A summary of the assumptions used in the valuation model for re-measuring the warrants at end of the period is set out below.

	As at May 31, 2022	As at May 31, 2021
Common share market price	\$ 0.122	\$ 0.248
Weighted average risk free interest rate	3.15 %	0.31 %
Estimated common share weighted average price volatility	135.09 %	168.19 %
Expected dividend yield	nil %	nil %
Estimated weighted average life in years	0.50	1.50

The following table reflects the warrants issued and outstanding as of May 31, 2022:

Number of warrants outstanding	Exercise price	Expiry date
10,897	GBP0.255	December 7, 2022

13. Borrowings

Term debt of discontinued operations (Uruguay)

	May 31, 2022	May 31, 2021
Borrowings ⁽¹⁾	\$ 1,361	\$ 1,239
Net debt	\$ 1,361	\$ 1,239

(1) Related to the line of credit in the amount of \$1,500. These borrowings will be treated equivalently to other accounts payable as part of the Loryser Reorganization Proceedings as they rank pari passu with trade creditors.(note 6).

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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, 2022 and year ended May 31, 2021:

Environmental rehabilitation provision discontinued operations (Uruguay)

	May 31, 2022	May 31, 2021
Balance, beginning of year	\$ 2,120	\$ 2,550
Expenditure incurred in rehabilitation	(705)	(708)
Accretion expense	(140)	278
Balance at end of year	\$ 1,275	\$ 2,120
Less: current portion	(459)	(1,823)
Balance, end of year	\$ 816	\$ 297

Loryser has a legal and constructive obligation to restore the San Gregorio operation as mining operations ceased. This estimate is revised annually. The Company advances rehabilitation work previous to the closure date at its discretion and in accordance with DINACEA (formerly DINAMA) the Uruguayan environmental agency.

Uruguayan mining and environmental legislation require environmental obligations to be supported by guarantees. As a result, rehabilitation guarantee letters of credit with a total amount of \$1,326 (May 31, 2021 - \$1,326) had been provided by local Uruguayan insurance companies and financial institutions. Before the expiration of the coverage period, DINACEA executed these guarantees in order to secure the funds for the future remediation. After discussions with DINACEA, Loryser managed to close and sign a Settlement Agreement with DINACEA during Q3 2020 in order to apply for the \$1,326 from the environmental guarantee that had been executed. The Settlement Agreement was validated and approved by the Audit Tribunal and a Civil court that oversees all Governmental accounts and settlements. Pursuant to the Settlement Agreement, Loryser continued with the reclamation of the tailings dam and DINACEA will pay in installments on completion of a six-phased closure plan. The first payment by DINACEA of \$150 under the plan was received by the Company in May 2020, a second payment of \$269 was received in December 2020; and, two more payments totaling \$538 were received in January 2021. A further payment of \$269 is expected post year end of the Company.

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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

15. Share capital (continued)

b) Common shares issued

	Number of common shares (‘000)	Amount \$
Balance, May 31, 2020	160,278	65,670
Units issued in private placement ⁽¹⁾	23,529	5,372
Value of warrants in Units issued ⁽¹⁾	-	(2,553)
Issue costs of private placement ⁽¹⁾	-	(218)
Warrants exercised	868	499
Stock options exercised	3,745	563
Balance, May 31, 2021	188,420	69,333
Stock options exercised	100	6
Balance, May 31, 2022	188,520	69,339

- (1) On December 7, 2020, the Company completed a private placement financing consisting of the sale of 23,529,412 units (the “Units”) at 17 pence per Unit for aggregate gross proceeds of £4 million (\$5,372). Each Unit consisted of one (1) common share in the capital stock of the Company (“Common Share”) and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder thereof to acquire an additional Common Share at a price of 25.5 pence for a period of 2 years from the date of issuance. These warrants were assigned a value of \$2,552 using the Black-Scholes valuation model (note 12). The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: Risk free rate: 0.28%; Expected life: 2 years; Expected volatility: 154% based on historical 2 year trends; and Weighted average share price: CDN\$0.35. The Company incurred total cost of \$395 in fees and other expenses and \$217 is included in share capital and the amount charged \$178 is included in finance cost in the statement (loss) and comprehensive (loss) income.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

16. Shares held by Trust and Restricted Cash

In December 2018, Loryser reached an agreement with the majority of its creditors. (the "Agreement"), achieving a support level of approximately 72% of creditors by value, comprising 67 different creditors. The Agreement was ratified by the Court in September 2019. The ratification by the Court means that the Agreement is legally binding on all trade creditors and that Intervenor's control over Loryser ceases. In December 2019, as part of the consideration to be applied to the creditors' liabilities, Orosur issued 10,000,000 common shares of Orosur to the San Gregorio Trust. The Trust is an independent legal body established by Orosur (the "Settlor") with an independent Trustee whose sole purpose it is to sell the shares at the best possible price and pay that money to Loryser's creditors the "Beneficiaries of the Trust pursuant to the Agreement. The Trustee was appointed in the Trust Deed and the Settlor cannot remove the Trustee. The Trustee is not an employee nor a director of Orosur or any of its subsidiaries and does not receive instructions from Orosur. For accounting purposes as per IFRS, the Trust is treated as a subsidiary of the Company.

The Restricted Cash is related to the funds net of costs raised by the Trust from the sale of the shares held by the Trust. During the year ended May 31, 2022, the Trustee disposed of 4,355,500 common shares to the market, raising proceeds of \$1,228. (May 31, 2021 - 5,644,500 common shares, raising \$1,869 of which \$512 had been released to Loryser). During the year ended May 31, 2022, \$2,150 had been released to Loryser to be applied in accordance with the Court ratified Creditors Agreement. The balance is expected to be released within the next 5 months.

As of May 31, 2022, the remaining restricted cash balance was \$353 (May 31, 2021 - \$1,367)

17. Share-based payments

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 numbers that 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 and 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.

The following table summarizes information regarding the Company's outstanding options at May 31, 2022:

	Number of stock options (^{'000})	Weighted average exercise price (CDN \$)
Balance, May 31, 2020	6,808	\$ 0.14
Issued ⁽¹⁾ ⁽²⁾	5,900	0.33
Exercised	(3,745)	0.16
Expired / Forfeitures	(1,044)	0.13
Balance, May 31, 2021	7,919	\$ 0.28
Issued ⁽³⁾	4,120	0.22
Exercised	(100)	0.05
Expired / Forfeitures	(399)	0.24
Balance, May 31, 2022	11,540	\$ 0.26

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

17. Stock options (continued)

- (1) On December 10, 2020, 5,600,000 options were granted to directors, officers, employees and consultants of the Company pursuant to the Company's stock option plan. The stock options have an exercise price of CDN\$0.325 per share and are exercisable for a period of 10 years. The options vested 50% immediately and 50% on December 10, 2021. The estimated fair value of these options at the grant date was \$1,329 using the Black-Scholes valuation model with the following assumptions: strike price - CDN\$0.3 risk free interest rate - 0.74%; expected volatility - 147% based on historical 10 year trends; expected life - 10 years; and expected dividends - \$nil.
- (2) On January 29, 2021, 300,000 options were granted to a director of the Company. The stock options have an exercise price of CDN\$0.46 per share and are exercisable for a period of 5 years. The options vested 50% immediately and 50% on January 29, 2022. The estimated fair value of these options at the grant date was \$90 using the Black-Scholes valuation model with the following assumptions: strike price - CDN\$0.42; risk free interest rate - 0.43%; expected volatility - 155% based on historical 5 year trends; expected life - 5 years; and expected dividends - \$nil.
- (3) On March 11, 2022, 4,120,000 options were granted to directors, officers, and employees of the Company at an exercise price of CDN\$0.22, pursuant to the Company's stock option plan and \$503 of stock-based compensation expense was recorded for this grant. The options vested 50% immediately and 50% on March 11, 2023. The fair value was determined based on the Black-Scholes option pricing model using the following assumptions: strike price - CDN\$0.17; risk free interest rate - 1.8%; expected volatility - 159.5%; expected life - 5 years; expected life - 5 years; and expected dividends - \$nil.

The following table reflects the actual stock options issued and outstanding as of May 31, 2022:

Expiry date	Exercise price (CDN \$)	Weighted average remaining contractual life (years)	Number of options outstanding ('000)	Number of options vested (exercisable) ('000)
November 17, 2022	0.240	0.47	310	310
October 23, 2023	0.110	1.40	283	283
November 14, 2024	0.050	2.46	487	487
May 4, 2025	0.040	2.93	440	440
January 29, 2026	0.460	3.67	300	300
March 11, 2027	0.220	4.78	4,120	2,060
December 10, 2030	0.325	8.53	5,600	5,600
	0.26	6.21	11,540	9,480

As at May 31, 2022, there were 11,540 options outstanding, of which 9,480 were vested and exercisable (May 31, 2021 - 7,919 and 4,480, respectively). The weighted average exercise price of the options outstanding as at May 31, 2022 was CDN\$0.26 (May 31, 2021 - CDN\$ 0.27).

During the year ended May 31, 2022, \$887 of compensation expense was recorded (\$1,048 for the year ended May 31, 2021).

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

18. Income taxes

(a) Current and deferred income tax composition:

	Year Ended May 31, 2022	Year Ended May 31, 2021
Continuing operations		
Current income tax (expense) for the year	\$ -	\$ -
Deferred income tax recover	-	-
Total income tax recovery for the year	\$ -	\$ -

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, 2022	Year Ended May 31, 2021
Discontinuing operations		
Balance, end of year	\$ -	\$ -

Changes in the value of the deferred income tax asset have been recognized in the consolidated statements of loss and comprehensive income (loss). 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 at May 31, 2022, the Company has recognized \$nil (May 31, 2021 - \$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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

18. Income taxes (continued)

(c) Unrecognized tax benefits

As at May 31, 2022, the Company had non-capital loss carry forwards of \$129,468 (May 31, 2021 - \$132,828). The losses at gross value by tax jurisdictions expire as shown in the following table.

					<u>Discontinued</u>	
	Barbados	Canada	Chile	Columbia	Uruguay	Total
May 2023	386	-	-	-	28,147	28,533
May 2024	608	-	-	-	20,725	21,333
May 2025	256	98	-	-	4,908	5,262
May 2026	5	766	-	-	2,383	3,154
May 2027	-	808	-	-	-	808
May 2028 to May 2040	65	20,304	-	-	-	20,369
No expiration term	-	-	50,009	-	-	50,009
Total	1,320	21,976	50,009	-	56,163	129,468

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, 2022	Year Ended May 31, 2021
(Loss) income before taxes	\$ (1,111)	\$ (1,883)
Income tax rate	26.5 %	27.0 %
Expected income tax (expense)/recovery	294	508
Tax effect of:		
Effect of lower jurisdictions tax rates	34	(8)
Foreign exchange rate	-	2
Other permanent differences	235	114
Other temporary differences not recognized	(563)	(616)
Income tax (expense)/recovery for the year	\$ -	\$ -

19. Income (loss) per share

For the year ended May 31, 2022, basic and diluted loss per share for continued operations has been calculated based on the loss attributable to common shareholders of \$1,445 (year ended May 31, 2021 - loss of \$1,712) and the weighted average number of common shares outstanding of 188,432 (year ended May 31, 2021 - 173,825).

For the year ended May 31, 2022, basic and diluted loss per share for discontinued operations has been calculated based on the income attributable to common shareholders of \$334 (year ended May 31, 2021 - loss of \$(171)) and the weighted average number of common shares outstanding of 188,432 (year ended May 31, 2021 - 173,825).

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

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

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, 2022	May 31, 2021	
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%	US dollar
Waymar Resources Ltd.	Canada	100%	100%	Canadian dollar
Cordillera Holdings International Ltd. BVI	BVI	100%	100%	Canadian dollar
Minera Anzá S.A. (BVI)	BVI	100%	100%	Canadian dollar
Minera Anzá S.A. (Colombia branch)	Colombia	100%	100%	Colombian peso
Anillo SPA	Chile	100%	100%	US dollar
Orosur Mining (UK) Limited ⁽¹⁾	United Kingdom	0%	100%	US dollar
Dorado Mining Holding Inc. ⁽²⁾	Canada	100%	n/a	US dollar
Maracana Mining Holding Inc. ⁽³⁾	Canada	51%	n/a	US dollar

(1) Following the change of directors during 2020, Orosur Mining (UK) Limited became redundant and accordingly it was dissolved in July 2021.

(2) The Dorado Mining Holding Inc. was registered on March 29, 2022

(3) The Maracana Mining Holding Inc. was registered on March 31, 2022.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

20. Related parties (continued)

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 and Chief Financial 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 is also a director of the Company.

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

	Year Ended May 31, 2022	Year Ended May 31, 2021
Salaries and other short-term benefits	\$ -	\$ 67
Fees ⁽¹⁾	61	52
Directors and key executive fees	594	311
Share-based payments (stock options)	887	800

(1) The Company expensed fees to Marrelli Support Services Inc. ("Marrelli Support") for the services of Vic Hugo to act as Chief Financial Officer of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. Vic Hugo is an employee of Marrelli Support.

Directors and key executives are also granted stock options to acquire the Company's shares. During the year ended May 31, 2022, 2,400,000 options were granted to directors (year ended May 31, 2021 - 4,000,000) and 500,000 stock options were granted to executive officers (year ended May 31, 2021 - 600,000). During the year ended May 31, 2022, nil stock options were exercised by directors (year ended May 31, 2021 - nil) and nil stock options were exercised by executive officers (year ended May 31, 2021 - 268,334). The Company's weighted average share price for the options granted to key management for the year ended May 31, 2022 was CDN\$0.22 (year ended May 31, 2021 - CDN\$0.325).

21. Revision of previously reported financial statements

The Company has revised the statements of cash flow to reflect the reclassification of payments for environmental rehabilitation year ended May 31, 2021 from an investing activity to operating activity.

The following summarizes the effects of the adjustments on the financial statements for year ended May 31, 2021:

	Original 2021	Reclass	Revised 2021
Line item on the restated consolidated statements of cash flows:			
Adjustments for – Payments for environmental rehabilitation	\$ -	\$ (708)	\$ (708)
Net cash used in operating activities	(1,270)	(708)	(1,978)
Investing activities – Payments for environmental rehabilitation	(708)	708	-
Net cash provided by investing activities	196	708	904

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

22. Segmented information

For the Company's consolidated financial statements for the year ended May 31, 2022, the Company identifies three operating segments, namely Uruguay segment, exploration segment and corporate segment which management reviews regularly in order to evaluate their performance and make decisions about resources to be allocated. Uruguay and Chile are considered as discontinued operations within those segments.

	Discontinued					
	Uruguay	Exploration Chile	Argentina	Exploration Colombia	Corporate	Total
Year ended May 31, 2022						
Exploration expenses	\$ -	\$ -	\$ (79)	\$ (64)	\$ -	\$ (143)
Corporate and administrative expenses	-	-	-	-	(1,792)	(1,792)
Share-based payment	-	-	-	-	(887)	(887)
Other income	-	-	-	23	-	23
Discontinued operations	392	(58)	-	-	-	334
Total segment income (loss)	\$ 392	\$ (58)	\$ (79)	\$ (41)	\$ (2,679)	\$ (2,465)

	Discontinued				
	Uruguay	Exploration Chile	Exploration Colombia	Corporate	Total
Year ended May 31, 2021					
Exploration expenses	-	-	(29)	-	(29)
Corporate and administrative expenses	-	-	(2)	(1,205)	(1,207)
Share-based payment	-	-	-	(1,047)	(1,047)
Other income	-	-	21	-	21
Discontinued operations	(117)	(54)	-	-	(171)
Total segment loss	\$ (117)	\$ (54)	\$ (10)	\$ (2,252)	\$ (2,433)

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

	Year Ended May 31, 2022	Year Ended May 31, 2021
Segment loss continued operations	\$ (2,799)	\$ (2,262)
Segment income (loss) discontinued operations (note 6)	334	(171)
Net finance cost	(19)	(187)
Gain on fair value of financial instruments, net	1,566	627
Net foreign exchange gain	(193)	110
Cumulative translation adjustment	(299)	190
Total comprehensive loss for the period	\$ (1,410)	\$ (1,693)

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

(Expressed in thousands of United States dollars)

23. Subsequent events

On September 8, 2022, the Company's JV partner, Minera Monte Águila ("MMA") provided the Company with a Phase 1 Earn-In Notice, having completed all of the Phase 1 obligations, including investing US\$10 million in the Project. The Company and MMA will begin the process of forming a new mining company that will hold title to the Project's concessions and applications. The Company was also notified by MMA that in accordance with the Exploration Agreement, it will enter Phase 2 following negotiation and execution of a joint venture agreement. Once the new mining Company is formed, which is expected to take several months, the Company will initially have 49% ownership and MMA 51% ownership, and in the new mining company, which will be managed by MMA.