

**Orosur Mining Inc.
Condensed Interim Consolidated Financial Statements
For the three months ended August 31, 2018**

Notice to the reader

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

Contents

Condensed Interim Consolidated Statements of Financial Position	2
Condensed Interim Consolidated Statements of Profit/(Loss) and Comprehensive Profit/(Loss)	3
Condensed Interim Consolidated Statements of Cash Flows	4
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	5
Selected explanatory notes	6 – 22

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

	Note Ref.	As at August 31, 2018 (\$)	As at May 31, 2018 (\$)
Assets			
Cash	3	1,119	1,390
Accounts receivable and other assets	5	1,141	1,550
Asset held for sale	4	-	120
Inventories	6	4,537	6,100
Total current assets		6,797	9,160
Accounts receivable and other assets	5	73	73
Property plant and equipment and development costs	7	4,199	6,578
Exploration and evaluation costs	8	9,596	9,755
Restricted cash		194	201
Total non-current assets		14,062	16,607
Total assets		20,859	25,767

Liabilities and Shareholders' Equity

Trade payables and other accrued liabilities	3,5	19,513	17,845
Current portion of long-term debt	3,18	1,711	1,730
Warrants	10	47	68
Environmental rehabilitation provision	9	139	139
Total current liabilities		21,410	19,782
Long-term debt	3,18	211	211
Environmental rehabilitation provision	9	5,249	5,283
Total non-current liabilities		5,460	5,494
Total liabilities		26,870	25,276
Capital stock	10	63,540	63,290
Contributed surplus		5,906	5,893
Deficit		(74,355)	(67,780)
Currency translation reserve		(1,102)	(912)
Total shareholders' equity		(6,011)	491
Total liabilities and shareholders' equity		20,859	25,767

Approved on behalf of the Board of Directors

Ignacio Salazar

Chief Executive Officer

John Walmsley

Audit Committee Chair

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

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

	Note Ref.	Three months ended August 31,	
		2018 (\$)	2017 (\$)
Sales		4,202	11,951
Cost of sales	20	(7,119)	(11,772)
Gross profit/(loss)		(2,917)	179
Corporate and administrative expenses		(402)	(561)
Exploration expenses		(20)	-
Explorations expenses and write off		(66)	(10)
Restructuring costs	5, 14	(3,322)	(60)
Obsolescence provision		-	(35)
Other income	14	81	115
Net finance cost	19	(42)	(87)
Gain/(loss) on fair value of financial instruments, net	19	21	(10)
Foreign exchange gain		549	85
		(3,201)	(563)
Loss before income tax		(6,118)	(384)
Provision for income taxes	13	-	(3)
Total loss for continuing operations		(6,118)	(387)
Other comprehensive loss			
Cumulative translation adjustment		(190)	(278)
Total comprehensive loss from continuing operations		(6,308)	(665)
(Loss)/profit from discontinued operations	4	(267)	97
Total comprehensive (loss)/profit from discontinued operations		(267)	97
Total comprehensive loss for the period		(6,575)	(568)
Basic and diluted net loss per share			
Continuing operations	17	(0.06)	(0.01)
Discontinued operations	17	(0.00)	(0.00)

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

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

	Note Ref.	Three months ended August 31,	
		2018 (\$)	2017 (\$)
Net inflow/(outflow) of cash related to the following activities			
Cash flow from operating activities			
Net loss for the period		(6,385)	(290)
<i>Adjustments to reconcile net income to net cash provided from operating activities:</i>			
Depreciation		2,635	1,961
Exploration and evaluation expenses written off	8	66	10
Obsolescence provision		-	35
Fair value of derivatives		(30)	(12)
Accretion of asset retirement obligation		19	19
Stock based compensation	11	13	11
Loss (gain) on sale of property, plant and equipment		19	(44)
Other		46	(236)
Subtotal		(3,617)	1,454
<i>Changes in working capital:</i>			
Accounts receivable and other assets		316	150
Inventories		1,560	1,769
Trade payables and other accrued liabilities		1,724	(585)
Net cash generated from operating activities		(17)	2,788
Cash flow from financing activities			
Loan payments	18	(19)	(72)
Investment in Anillo		-	69
Proceeds from the sale of Talca	4	60	-
Proceeds from private placement	10	250	2,894
Net cash generated from financing activities		291	2,891
Cash flow from investing activities			
Purchase of property, plant and equipment and development costs	7	(260)	(2,860)
Environmental tasks		(52)	(40)
Proceeds from the sale of fixed assets		-	10
Exploration and evaluation expenditure assets	8	(233)	(1,613)
Net cash used in investing activities		(545)	(4,503)
Increase (decrease) in cash		(271)	1,176
Cash at the beginning of period		1,390	3,357
Cash at the end of period		1,119	4,533
Cash flows of discontinued operation – Note 4			

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

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

Three months ended August 31,

	2018 (\$)	2017 (\$)
Capital stock		
Balance at beginning of period	63,290	61,162
Private placement	250	2,299
Balance at end of period	63,540	63,461
Contributed surplus		
Balance at beginning of period	5,893	5,836
Stock based compensation recognized	13	11
Balance at end of period	5,906	5,847
Deficit		
Balance at beginning of period	(67,780)	(30,913)
Net loss for the period	(6,575)	(290)
Balance at end of period	(74,355)	(31,203)
Currency translation reserve	(1,102)	(1,168)
Shareholders' equity at end of period	(6,011)	36,937

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

1. Nature of Operations

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

Orosur was incorporated and is domiciled in Canada and is governed by the corporate laws of the Yukon Territory, Canada. The Company’s shares are listed on the Toronto Stock Exchange (TSX) in Canada and the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom. The Company’s corporate office is located at Saldanha Da Gama 3622 of. 509, Montevideo, Uruguay, and the address of its registered office is Suite 1010 - 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

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

2. Basis of preparation

These unaudited condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRIC interpretations, as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of unaudited condensed interim consolidated financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements do not include all disclosures required by IFRS for an annual consolidated financial statement and accordingly should be read in conjunction with the Company’s annual financial statements for the year ended May 31, 2018.

These unaudited condensed interim consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are measured at fair value.

Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. At August 31, 2018, the Company has a net working capital deficiency of \$14,613 (May 31, 2018 – \$10,622). Total amounts due within 12 months on the Company’s long-term financial debt is \$1,711 (May 31, 2018 – \$1,730). Total amount of accounts payables and other accrued liabilities is \$19,513 (May 31, 2018 - \$17,845). Most of these liabilities are included under the Loryser reorganization proceedings (Note 3).

Currently the Company is facing one of the most complex and difficult situations in its long-standing operation as a consequence of the lack of good quality ore during the last year and the lack of financing to develop the Veta A project (currently the highest-grade source of underground ore available on the San Gregorio mine complex).

Selected explanatory notes to Condensed Interim Consolidated Financial Statements

Thousands of United States Dollars, except where indicated

The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. These material uncertainties may cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. Although the Company has been successful in the past in obtaining financing, recently the Newmont deal, there is no assurance that it will be able to obtain adequate financing in future or that such financing will be on terms advantageous to the Company.

The accounting policies followed in these unaudited condensed interim consolidated financial statements are those applied in the Company's financial statements for the year ended May 31, 2018, as set out in Note 3. The preparation of these interim financial statements requires the use of certain significant accounting estimates and judgment by management in applying the Company's accounting policies. The areas involving significant judgment and estimates have been set out in Note 4 of the Company's audited consolidated financial statements for the year ended May 31, 2018.

3. Loryser reorganization proceeding

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

The reorganization process has been ongoing since June 2018. Under the Loryser Reorganisation Proceedings, the term for credit verification ended on September 3, 2018, and a court-appointed Controller has validated all the credits and has filed a report on the assets and debts of the Company on October 3, 2018. The report is currently subject to review and potential reassessment before the creditors meeting scheduled for December 17, 2018. A final date for approval of the report, including the final list of creditors and assets, is dependent on whether there are any challenges. The Controller is preparing a second report assessing the status of the Company and explaining the causes that led Loryser to the current situation.

As at August 31, 2018, the cash balance included \$1,068 held by Loryser which is not accessible to the rest of the Company as a result of this process.

As at August 31, 2008, the liabilities under the Loryser reorganization proceedings, subject to validation by the Controller are the following:

	August 31, 2018 (\$)
Commercial suppliers	10,178
Mining royalties, income and other taxes	150
Financial debt	1,922
Total trade payables and other accrued liabilities (i)	12,250

(i) *The validation by the Controller do not include labour and environmental liabilities as they are not part of the proceedings as long as Loryser is not put into liquidation.*

Orosur Mining Inc.
Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

4. Discontinued operations

The information of discontinued operations has been set out in Note 5 of the Company's audited consolidated financial statements for the year ended May 31, 2018.

Net assets of discontinued operations held for sale

	As at August 31 2018(\$)	As at May 31 2018(\$)
Assets		
Cash	14	16
Accounts receivable and other assets	73	14
Asset held for sale	-	120
Total current assets	87	150
Restricted cash	-	2
Total non-current assets	-	2
Total assets	87	152
Liabilities		
Trade payables and other accrued liabilities	114	120
Total current liabilities	114	120
Net assets of discontinued operations held for sale	(27)	32

Net loss and comprehensive loss from discontinued operations

For the three months ended August 31	2018 (\$)	2017 (\$)
Exploration expenses	(101)	(84)
Other income	-	14
Foreign exchange (loss)/gain	(166)	167
(Loss)/gain before income tax	(267)	97
Expense for income taxes	-	-
Net (loss)/gain and comprehensive (loss)/gain for the quarter	(267)	97

Orosur Mining Inc.

Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

Cash flow from discontinued operations

For the three months ended August 31	2018 (\$)	2017 (\$)
Net inflow (outflow) of cash related to the following activities		
Cash flow from operating activities		
Net (loss)/gain for the quarter	(267)	97
<i>Adjustments to reconcile net income to net cash provided from operating activities:</i>		
Other	109	-
Subtotal	(158)	(97)
<i>Changes in working capital</i>		
Accounts receivable and other assets	1	(21)
Trade payables and other accrued liabilities	95	(106)
Net cash used in from operating activities	(62)	(30)
Cash flow from investing activities		
Exploration and evaluation expenditure assets	-	(100)
Net cash used in investing activities	-	(100)
Cash flow from financing activities		
Repayment from Orosur Mining Inc	-	154
Proceeds from asset held for sale	60	-
Net cash generated from financing activities	60	154
(Decrease)/Increase in cash	(2)	24
Cash at the beginning of period	16	99
Cash and cash equivalents at the end of period	14	123

Orosur Mining Inc.
Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

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

(i) Accounts receivable and other assets

	August 31, 2018 (\$)	May 31, 2018 (\$)
Tax receivable (a)	475	633
Advance payments to suppliers	146	197
Marketable securities	8	8
Miscellaneous receivable (b)	512	712
Total accounts receivable	1,141	1,550
Non-current		
Miscellaneous receivable (c)	73	73

- a) Tax receivable consists of refunds to be collected for Uruguayan Value Added Tax and Canadian GST.
- b) Current miscellaneous receivable consists of expenses to be reimbursed by farm-out partners and suppliers and income from the Company's laboratory for work performed for outside third parties. It also includes \$232 of the prepayment as explained below.
- c) Non-current miscellaneous receivable includes a prepayment made to a supplier in April 2013 to start the raise boring of the Arenal underground. The supplier was unable to provide the services. As a result, the Company initiated actions to recover the amount and a positive arbitration award was received on April 3, 2014. The supplier repudiated the award, so in July 2014, the Company filed a judicial action to execute it. As defense, the supplier filed for judicial review of the award offering as counter-guarantee equipment valued at \$600. In May 2016, the defense was dismissed and the court ordered the freezing of the supplier's bank accounts and the valuation of the equipment to sell it at auction. In March 2017, the court ordered the seizure of additional equipment in order to cover the total amount of damages and fines awarded by the arbitral tribunal. On December 4, 2017, the Company settled the dispute and the supplier will pay a total of \$610, of which 23% correspond to contractual and legal fees payable to the Company's lawyers (\$140). The Company will receive \$470. The \$610 is payable in 47 monthly instalments. The Company will be paid the first 23 instalments) and the lawyers will be paid the last 24 instalments. The supplier has paid eight instalments as of the date of these financial statements (\$242). As of August 31, 2018, \$181 was recognized as current miscellaneous receivable and \$73 as non-current asset.

(ii) Trade payables and other accrued liabilities

	August 31, 2018 (\$)	May 31, 2018 (\$)
Commercial suppliers (i)	11,469	11,872
Salaries, labour benefits and social security contributions (ii)	7,061	5,136
Mining royalties, income and other taxes	983	837
Total trade payables and other accrued liabilities	19,513	17,845

- i) This includes \$10,178 which is under the Loryser Reorganization Proceedings which would follow the corresponding legal process (Note 3).
- ii) This includes \$6,162 of a provision for layoffs as a result of substantial reductions in staff, leaving Loryser with 24 employees at the end of August. The date the payment will become effective will depend on the result of the reorganization proceedings in Loryser.

Orosur Mining Inc.
Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

6. Inventories

	August 31, 2018 (\$)	May 31, 2018 (\$)
Ore in stockpiles (i)	659	681
Gold in circuit	-	403
Finished metals	-	660
Mine operating supplies (ii)	3,878	4,356
Total inventories	4,537	6,100

- (i) Ore in stockpiles includes high and medium grade material that the Company processes within its normal operation cycle. Whether the ore in stockpiles will be used in production within the next twelve months is subject to the Company's discretion as such ore is usually blended with ore mined and transported directly to the processing plant to optimize production. The Company does not carry stockpiles to be processed in the long term. Ore in stockpiles is carried at its net realizable value of \$659 (\$736/oz) which is lower than its accumulated average production cost of \$1,507 (\$1,685/oz).
- (ii) For the year ended May 31, 2018, an obsolescence provision of \$4,678 was recognized as an inventory adjustment against spare parts and consumables.

7. Property, plant and equipment and development costs

		Development costs					Total	
		Tangible fixed assets (1)	Decommissioning Asset (2)	Tangible underground development costs (3)	Open pit development costs subject to depreciation (4)	Development costs not subject to depreciation (5)		Deferred stripping asset (6)
Cost								
Balance May 31, 2017	\$	79,614	11,283	38,927	55,362	5,075	560	190,821
Additions	\$	1,152	40	1,613	95	-	-	2,900
Other	\$	(5)	-	-	-	-	-	(5)
Balance August 31, 2017	\$	80,761	11,323	40,540	55,457	5,075	560	193,715
Additions	\$	2,676	82	3,916	35	225	-	6,934
Reclassification from E&E (7)	\$	-	-	148	95	492	-	735
Other	\$	65	(216)	-	659	(659)	-	(151)
Disposals	\$	(2,007)	-	-	-	-	-	(2,007)
Balance May 31, 2018	\$	81,493	11,189	44,603	56,247	5,133	560	199,226
Additions	\$	86	52	175	-	-	-	313
Other	\$	(43)	-	-	99	(99)	-	(43)
Disposals	\$	(12)	-	-	-	-	-	(12)
Balance August 31, 2018	\$	81,524	11,241	44,778	56,346	5,034	560	199,484

Orosur Mining Inc.

Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

	Tangible fixed assets (1)	Decommissioning asset (2)	Development costs			Deferred stripping asset (6)	Total
			Tangible Underground development costs (3)	Open pit development costs subject to depreciation (4)	Development costs not subject to depreciation (5)		
Accumulated depreciation							
Balance May 31, 2017	\$ 75,117	10,491	32,277	53,572	2,644	560	74,661
Depreciation	\$ 840	60	1,000	61	-	-	1,961
Balance August 31, 2017	\$ 75,957	10,551	33,277	53,633	2,644	560	176,622
Depreciation	\$ 1,997	118	3,964	860	-	-	6,939
Impairment of assets	\$ 2,066		5,339	1,210	2,467		11,083
Other	\$ -			543	(543)		-
Disposals	\$ (1,995)	-	-		-	-	(1,995)
Balance May 31, 2018	\$ 78,025	10,669	42,581	56,247	4,568	560	192,649
Depreciation	\$ 299	40	2,197	99	-	-	2,635
Balance August 31, 2018	\$ 78,324	10,709	44,778	56,346	4,568	560	195,285
Carrying amount							
As at August 31, 2018	\$ 3,200	532	-	-	466	-	4,199
As at May 31, 2018	\$ 3,468	520	2,022	-	565	-	6,578
As at May 31, 2017	\$ 4,497	792	6,649	1,791	2,431	-	16,160

(1) Includes land, buildings, processing facilities, mobile and stationery equipment, furniture and other office equipment. The plant is located on leased land. The lease expires in 2026. No further payments are due on the lease.

(2) See note 9.

(3) Includes the ramp and gallery access to ore for Arenal Deepes Underground operation, ventilation shafts and other tangible development to access the ore body.

(4) Includes exploration and evaluation costs for properties under production, including resource definition work.

(5) Includes exploration and evaluation costs for properties for which commercial production has not begun.

(6) Includes pre-stripping extracted from Vaca Muerta during June 2014.

(7) Includes exploration and evaluation costs prior to the Company defining proven and probable reserves and intention to develop the property commercially.

For the year ended May 31, 2018, the Company completed an assessment of the carrying value of its CGUs and recorded a non-cash impairment charge of \$11,083 for property, plant and equipment and development costs. The impairment was due to the complex and difficult situation in its long-standing operation as a consequence of the lack of good quality ore during the year then ended and the lack of financing to develop the Veta A project (currently the highest-grade source of underground ore available on the San Gregorio mine complex). As a result of these circumstances, Loryser S.A. (the wholly-owned operating subsidiary in Uruguay) applied to commence reorganization proceedings in Uruguay in June 2018. The future of the operation in Uruguay is under high levels of uncertainty.

For the three months ended August 31, 2018, the Company assessed the carrying value of its CGUs and determined that there was no significant change in the assets at August 31, 2018.

Orosur Mining Inc.
Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

8. Exploration and evaluation costs

	Uruguay	Chile	Colombia	Total
Opening balance – May 31, 2018	-	-	9,755	9,755
Cash expenditure	66	-	166	232
Foreign exchange movement	-	-	(325)	(325)
Write off	(66)	-	-	(66)
Closing balance – August 31, 2018	-	-	9,596	9,596

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

Exploration farm-in agreements, acquisitions and farm-out agreements are those disclosed in Note 9 of the Company's audited financial statements for the year ended May 31, 2018. No changes occurred during the period ended August 31, 2018 regarding the status of each project as reported at May 31, 2018.

For the year ended May 31, 2018, the Company recorded an impairment charge of \$12,221, of which \$5,999 related to exploration projects in Uruguay and \$6,222 related to exploration projects in Chile. The Company discontinued its operations in Chile (Note 4).

9. Environmental rehabilitation provision

The Company's environmental rehabilitation provision relates to the retirement and remediation of the San Gregorio operation in Uruguay. The environmental rehabilitation obligations have been recorded as a liability at estimated fair value determined by calculating the net present value of estimated future costs.

The following table summarizes the movements in the environmental rehabilitation provision for the three months ended August 31, 2018:

	August 31, 2018 (\$)	May 31, 2018 (\$)
Balance at beginning of period	5,422	5,648
Changes in cash flow estimates	-	(94)
Expenditure incurred in rehabilitation	(52)	(122)
Accretion expense	19	(10)
Balance at end of period	5,388	5,422
Less: current portion	(139)	(139)
	5,249	5,648

Orosur Mining Inc.

Selected explanatory notes to Condensed Interim Consolidated Financial Statements

Thousands of United States Dollars, except where indicated

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

Uruguayan mining and environmental legislation require environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of \$1,351 (May 31, 2018 - \$1,351) has been provided by Santander Bank Uruguay (\$1,200) and a local Uruguayan insurance company (\$151). An environmental guarantee for \$5,000 (May 31, 2018 – \$5,000) has been provided by AIG, a local Uruguayan insurance company.

10. Capital stock

The Company has an authorized capital of unlimited number of common shares of no par value. As of August 31, 2018, the Company had a total of 121,189,982 issued shares outstanding (May 31, 2018 – 117,586,905).

	Number of shares (000's)	(\$)
Balance as of May 31, 2017	100,846	61.162
Private placement (i)	16,741	2,128
Balance as of August 31 and May 31, 2018	117,587	63,290
Private placement (ii)	3,603	250
Balance as of August 31, 2018	121,190	63,540

- i) *On August 14, 2017, the Company raised gross proceeds of CDN\$4,034 (\$3,223) through a placing and subscription of 16,740,502 new common shares of no par value at a price of C\$0.241 per subscription share, together with a grant of 8,370,251 unlisted warrants over new common shares on the basis of one subscription warrant for every two subscription shares at an exercise price of CDN\$0.337 at any time and until August 14, 2020. The gross proceeds were allocated to the warrants first and then to the shares. The fair value of the warrants of \$766 was estimated at the date of the grant using the Black-Scholes option pricing model with a risk-free rate of 1.27% and an annual volatility factor of 91.869%. It was recognized as a liability due to the exercise price is denominated in Canadian dollar. After initial recognition, at the end of August 31, 2018 the fair value of the warrant was \$47 due mainly to the decrease in share price recognition. The broker's commissions and other related expenses of the issue amounted to \$329.*
- ii) *On July 10, 2018, Newmont Mining Corporation advanced \$250 to subscribe for 3,603,077 common shares of Orosur at a price of CAD\$0.091 per share. The share price represents a 102% premium to the closing price of the Company's common shares on the Toronto Stock Exchange on July 9, 2018. This subscription was part of a \$2,000 non-brokered private placement completed on September 10, 2018 in conjunction with an exploration and option agreement on the Company's Anza exploration property in Colombia (Note 21).*

Orosur Mining Inc.
Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

11. Stock-based compensation

a) Stock options

The Company has an option plan (the "Plan") for the officers, directors, employees and consultants of the Company and its subsidiaries. Options under the plan are typically granted in such numbers which reflect the responsibility of the particular optionee and his or her contribution to the business and activities of the Company. Options granted under the Plan have a term between 5 to 10 years. Except in specified circumstances, options are not assignable and terminate on the optionee ceasing to be employed by or associated with the Company. The terms of the Plan further provide that the price at which shares may be issued under the Plan cannot be less than the market price (net of permissible discounts) of the shares when the relevant options were granted. One-third of options vest on the grant date, one-third of options vest twelve months from grant date and the final one-third vest twenty-four months from grant date. The following table summarizes information regarding the Company's outstanding options at August 31, 2018:

	Number of Shares	Option Price per Share Range	Weighted Average Exercise Price per share
	(000s)	CDN \$	CDN \$
Balance at May 31, 2017	7,222	\$0.105 - \$0.28	\$0.19
Forfeited	(23)	\$0.105 - \$0.235	\$0.18
Balance at August 31, 2017	7,199	\$0.105 - \$0.28	\$0.19
Forfeited	(113)	\$0.105 - \$0.240	\$0.20
Granted	1,925	\$0.24	\$0.24
Cancelled	(67)	\$0.105 - \$0.240	\$0.20
Balance at May 31, 2018	8,944	\$0.105 - \$0.28	\$0.20
Cancelled	(77)	\$0.105 - \$0.240	\$0.21
Forfeited	(30)	\$0.235 - \$0.240	\$0.24
Balance at August 31, 2018	8,837	\$0.105 - \$0.28	\$0.20

Outstanding				Exercisable	
Range of option Price CDN \$	Options 000s	Weighted average Exercise Price per share CDN \$	Weighted average remaining contractual life Years	Options 000s	Weighted average Exercise Price per share CDN \$
0.00 – 0.12	1,465	0.105	2.39	1,465	0.105
0.13 – 0.20	2,323	0.180	1.78	2,323	0.180
0.21 – 0.25	4,966	0.236	3.54	3,160	0.234
0.26 – 0.30	3	0.280	3.01	84	0.280
	8,837	0.20	2.73	7,031	0.19

At August 31, 2018, there were 8,837,258 options outstanding, of which 7,030,759 were vested and exercisable (May 31, 2018 – 8,943,924 and 7,107,426, respectively). The weighted average exercise price of the options outstanding at August 31, 2018 was CDN\$ 0.19 (May 31, 2018 – CDN\$ 0.19).

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

Thousands of United States Dollars, except where indicated

During the quarter ended August 31, 2018, \$13 of compensation expense was recorded (\$11 for the quarter ended August 31, 2017).

12. Related parties

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

Name of subsidiary	Country of incorporation	Equity interest as of August 31, 2018	Equity interest as of May 31, 2018	Functional Currency
International Mining Holdings Limited (IMHL)	Barbados	100%	100%	US dollar
Loryser S.A	Uruguay	100%	100%	US dollar
Minera San Gregorio S.A.	Uruguay	100%	100%	US dollar
Cinco Ríos S.A	Uruguay	100%	100%	US dollar
Nafypel S.A.	Uruguay	100%	100%	US dollar
Triselco S.A.	Uruguay	100%	100%	US dollar
Kevelux S.A	Uruguay	100%	100%	US dollar
Glendora S.A.	Uruguay	100%	100%	US dollar
Dalván S.A	Uruguay	100%	100%	US dollar
Bolir S.A.	Uruguay	100%	100%	US dollar
Brimol S.A.	Uruguay	100%	100%	US dollar
Montemura S.A.	Uruguay	100%	100%	US dollar
Ugdev S.A.	Uruguay	100%	100%	US dollar
Fortune Valley Resources Inc.	Canada	100%	100%	US dollar
Fortune Valley Resources Inc. BVI	BVI	100%	100%	US dollar
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	81%	81%	US dollar

13. Income Taxes

(a) Current and deferred income tax composition:

	Three months ended August 31,	
	2018 (\$)	2017 (\$)
Current income tax provision for the period	-	(3)
Total income tax provision for the period	-	(3)

Orosur Mining Inc.

Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

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

	Three months ended August 31, 2018 (\$)	Year ended May 31, 2018 (\$)
Balance beginning of period	-	3,115
Recognized deferred tax recovery	-	(3,115)
Balance end of period	-	-

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

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

14. Segmented Information

As noted in note 3(g) of the Company's financial statements for the year ended May 31, 2018, the Company identifies three operating segments, namely production segment, exploration segment and corporate segment that management reviews regularly in order to evaluate their performance and make decisions about resources to be allocated.

	Production (UY)	Exploration (UY)	Exploration (CH/ discontinued operation))	Exploration (Colombia)	Corporate	Total
For three months ended August 31, 2018						
Sales	4,202	-	-	-	-	4,202
Cost of sales	(7,119)	-	-	-	-	(7,119)
Exploration expenses	-	-	-	(20)	-	(20)
Exploration expenses and write off	-	(66)	-	-	-	(66)
Obsolescence provision	-	-	-	-	-	-
Restructuring costs (i)	(3,322)	-	-	-	-	(3,322)
Corporate and administrative expenses	-	-	-	-	(402)	(402)
Discontinued operations	-	-	(101)	-	-	(101)
Other income	81	-	-	-	-	81
Total segment loss	(6,158)	(66)	(101)	(20)	(402)	(6,747)
Investment in exploration and evaluation	-	66	-	166	-	232
Investment in PP&E and development costs	260	-	-	-	-	260
As at August 31, 2018						
Property, plant and equipment and development costs	4,141	-	-	49	9	4,199
Exploration and evaluation costs	-	-	-	9,596	-	9,596
Total assets	11,205	-	-	9,645	9	20,859

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

Thousands of United States Dollars, except where indicated

- i) \$3,322 was recognized as a provision for layoffs as a result of substantial reductions in staff, leaving Loryser with 24 employees at the end of August.

	Production (UY)	Exploration (UY)	Exploration (CH)	Exploration (Colombia)	Corporate	Total
For three months ended August 31, 2017						
Sales	11,951	-	-	-	-	11,951
Cost of sales	(11,772)	-	-	-	-	(11,772)
Exploration expenses and write off	-	(10)	-	-	-	(10)
Obsolescence provision	(35)	-	-	-	-	(35)
Restructuring costs	(60)	-	-	-	-	(60)
Corporate and administrative expenses	-	-	-	-	(645)	(645)
Other income	114	-	14	1	-	129
Total segment income/(loss)	198	(10)	14	1	(645)	(442)
Investment in exploration and evaluation	-	1,292	100	221	-	1,613
Investment in PP&E and development costs	2,860	-	-	-	-	2,860
As at August 31, 2017						
Property, plant and equipment and development costs	17,029	7	-	49	8	17,093
Exploration and evaluation costs	-	4,979	6,825	7,368	-	19,172
Total assets	38,187	4,986	6,825	7,417	8	57,423

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

	Three months ended August 31, 2018 (\$)	2017 (\$)
Segment loss from continuing operations	(6,646)	(539)
Segment (loss)/gain from discontinued operations	(267)	97
Net finance cost	(22)	(87)
Derivatives loss	-	(10)
Net foreign exchange gain	550	252
Cumulative translation adjustment	(190)	(278)
Income tax provision	-	(3)
Total comprehensive loss for the period	(6,575)	(568)

15. Financial risk management and capital management

The Company is exposed to a variety of financial risks that are disclosed in Note 19 of the Company's audited financial statements for the year ended May 31, 2018.

Orosur Mining Inc.
Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

16. Cash flow – Additional information

Cash comprises cash in the bank and cash on hand.

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

	For the three-month period ended August 31,	
	2018 (\$)	2017 (\$)
Income tax paid	1	1
Interest paid	19	51

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

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

	For the three-month period ended August 31,	
	2018 (\$)	2017 (\$)
Tangible fixed assets as defined in Note 7	86	1,152
Mine development costs	175	1,708
Environmental work rehabilitation as defined in Note 9	52	40
Total invested	313	2,900

17. Basic and diluted loss per share

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

(a) Basic:

		Three months ended August 31,	
		2018	2017
Basic weighted average shares outstanding	number	118,787,931	106,426,570
Net loss attributable to equity holders	\$	(6,575)	(568)
Continuing operations	\$	(6,308)	(665)
Discontinuing operations	\$	(267)	97
Basic loss per share	US cents per share	(0.06)	(0.01)
Continuing operations		(0.06)	(0.01)
Discontinuing operations		(0.00)	(0.00)

Orosur Mining Inc.
Selected explanatory notes to Condensed Interim Consolidated Financial Statements
Thousands of United States Dollars, except where indicated

(b) Diluted:

		Three months ended August 31,	
		2018	2017
Potential net incremental of dilutive shares	number	-	5,050,412
Potential proceeds from dilutive share options	\$	-	958
Average quoted market share price for the period	CDN \$ per share	0.05	0.24
Potential shares to be repurchased	number	-	3,963,429
Potential net incremental of shares after repurchase	number	-	1,086,983
Diluted weighted average shares outstanding	number	118,787,931	107,513,553
Net (loss)/gain attributable to equity holders	\$	(6,575)	(568)
Continuing operations	\$	(6,308)	(665)
Discontinued operations	\$	(267)	97
Diluted loss per share	US cents per share	(0.06)	(0.01)
Continuing operations	US cents per share	(0.06)	(0.01)
Discontinuing operations	US cents per share	(0.00)	(0.00)

18. Long-term debt

	August 31, 2018 (\$)	May 31, 2018 (\$)
Cash and cash equivalents	1,119	1,390
Current financial debt (i)	(1,711)	(1,730)
Non-current financial debt	(211)	(211)
Net debt	(803)	(551)

- (i) During the quarter ended February 28, 2018, the Company acquired six light vehicles and a drill rig that were financed with a lease credit facility with Banco Santander (Uruguay). Loryser drew down on the Santander line of credit in the amount of \$1,500 at November 30, 2017 following the deferral of approximately 2,000 ounces of planned production for the quarter ended November 30, 2017 from SGW UG.

The total amount of the financial debt showing above is included under the Loryser reorganization proceedings (Note 3).

Selected explanatory notes to Condensed Interim Consolidated Financial Statements

Thousands of United States Dollars, except where indicated

Newmont purchased 29,213,186 common shares at a price of C\$0.091 per share for aggregate proceeds of \$2,000 which included the initial advance of \$250 on July 10, 2018 (Note 10(ii)).