
OROSUR MINING INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2020 AND 2019
(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, 2020 and 2019, 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, 2020 and 2019;
- the consolidated statements of loss and comprehensive income (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 a summary of significant accounting policies.

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 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, 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 ChongHo Song.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 14, 2020

Orosur Mining Inc.
Consolidated Statements of Financial Position
(Expressed in thousands of United States dollars)

	As at May 31, 2020	As at May 31, 2019
		(Restated Note 21)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 782	\$ 526
Accounts receivable and other assets (note 7)	130	292
Assets held for sale of Uruguay (note 6)	3,081	4,438
Total current assets	3,993	5,256
Non-current assets		
Property, plant and equipment (note 9)	72	87
Exploration and evaluation assets (note 10)	6,479	8,483
Total assets	\$ 10,544	\$ 13,826
(DEFICIT) AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	\$ 313	\$ 235
Liabilities of Chile discontinued operation (note 6)	2,010	1,914
Warrants	-	13
Liabilities held for sale of Uruguay (note 6)	17,389	21,332
Total current liabilities	19,712	23,494
Deficit		
Share capital (note 14)	65,670	65,290
Shares held by Trust (note 15)	(380)	-
Contributed surplus	5,987	5,947
Currency translation reserve	(2,016)	(1,506)
Deficit	(78,429)	(79,399)
Total deficit	(9,168)	(9,668)
Total deficit and liabilities	\$ 10,544	\$ 13,826

Nature of operations and going concern (note 1)
Subsequent event (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 Income (loss)**
(Expressed in thousands of United States dollars)

	Year Ended May 31, 2020	Year Ended May 31, 2019
		(Restated Note 21)
Operating expenses		
Corporate and administrative expenses (note 6)	\$ (1,493)	\$ (1,823)
Exploration expenses	(44)	(45)
Exploration written-off	-	(7)
Other income	6	3
Net finance cost	(6)	(13)
Gain on fair value of financial instrument	11	57
Net foreign exchange loss	(1)	(23)
Net loss for the year for continued operations	\$ (1,527)	\$ (1,851)
Other comprehensive loss		
Cumulative translation adjustment	\$ (510)	\$ (594)
Total comprehensive loss for the year from continued operations	(2,037)	(2,445)
Income (loss) from discontinued operations (note 6)	2,497	(9,768)
Total comprehensive income (loss) for the year	460	(12,213)
Basic and diluted net loss per share for continued operations (note 19)	\$ (0.01)	\$ (0.01)
Basic and diluted net income (loss) per share for discontinued operations (note 19)	\$ 0.02	\$ (0.07)
Weighted average number of common shares outstanding	153,380	136,774

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, 2020	Year Ended May 31, 2019
		(Restated Note 21)
Operating activities		
Net income (loss) for the year	\$ 970	\$ (11,619)
Adjustments for:		
Depreciation	66	2,825
Share-based payments	40	54
Exploration and evaluation expenses written-off	-	7
Inventory write-downs	-	403
Obsolescence provision	(83)	1,101
Fair value of financial instrument	(11)	(57)
Accretion of asset retirement obligation	(130)	(2,413)
Gain on sale of property, plant and equipment	(830)	429
Foreign exchange and other	(1,638)	498
Changes in non-cash working capital items:		
Accounts receivable and other assets	464	751
Inventories	915	2,485
Accounts payable and accrued liabilities	(1,748)	938
Net cash used in operating activities	(1,985)	(4,598)
Investing activities		
Proceeds received for sale of property, plant and equipment	1,120	2,036
Purchase of property, plant and equipment	-	(277)
Environmental tasks	(215)	7
Proceeds received from exploration and option agreement	2,019	810
Exploration and evaluation expenditures	(554)	(430)
Net cash provided by investing activities	2,370	2,146
Financing activities		
Issue of common shares	-	2,000
Loan payments	-	(213)
Net cash provided by financing activities	-	1,787
Net Change in cash and cash equivalents	385	(665)
Net change in cash classified within assets held for sale	(129)	(199)
Cash and cash equivalents, beginning of year	526	1,390
Cash and cash equivalents, end of year	\$ 782	\$ 526
Operating activities		
- continued operations	(1,209)	(2,253)
- discontinued operations	(776)	(2,345)
Investing activities		
- continued operations	1,465	500
- discontinued operations	905	1,646
Financing activities		
- continued operations	-	2,185
- discontinued operations	-	(398)

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, 2018	\$ 63,290	\$ -	\$ 5,893	\$ (912)	\$ (67,780)	\$ 491
Private placement	2,000	-	-	-	-	2,000
Stock-based compensation	-	-	54	-	-	54
Currency translation adjustment (restated note 21)	-	-	-	(594)	-	(594)
Net loss for the year for continued operations (restated note 21)	-	-	-	-	(1,851)	(1,851)
Net loss for the year for discontinued operations	-	-	-	-	(9,768)	(9,768)
Balance, May 31, 2019 (restated note 21)	\$ 65,290	\$ -	\$ 5,947	\$ (1,506)	\$ (79,399)	\$ (9,668)
Shares issued to Trust (note 15)	380	(380)	-	-	-	-
Stock-based compensation	-	-	40	-	-	40
Currency translation adjustment	-	-	-	(510)	-	(510)
Net loss for the year for continued operations	-	-	-	-	(1,527)	(1,527)
Net loss for the year for discontinued operations	-	-	-	-	2,497	2,497
Balance, May 31, 2020	\$ 65,670	\$ (380)	\$ 5,987	\$ (2,016)	\$ (78,429)	\$ (9,168)

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, 2020 and 2019

(Expressed in thousands of United States dollars)

1. Nature of operations and going concern

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

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

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

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 and Chile. 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 that net proceeds from the sale of Loryser's assets in Uruguay together with the issuance of 10 million common shares of Orosur (see note 14) shall satisfy all amounts owing to Loryser's creditors as well as provide funds for Loryser to conduct this process and close operation responsibly. Accordingly, the activities of Uruguay and Chile are consolidated in the financial statements as assets and liabilities held for sale and profit and loss from discontinuing operations. 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 as contemplated in the court-approved Agreement.

As at May 31, 2020, the Company had cash of \$782 (May 31, 2019 - \$526) and a net working capital deficiency of \$15,719 (May 31, 2019 - \$18,238). During the year ended May 31, 2020, the Company carried an accumulated deficit of \$78,429 (May 31, 2019 - \$79,399).

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. In Colombia, the Company has established protocols to mitigate against the problems presented by COVID-19, which should allow activity to continue in Anzá. There can, of course, be no assurances that there will be no disruptions from any future outbreaks in the locality that would lead to a more protracted exploration program. In Uruguay, the impact of the pandemic has slowed down the realization of assets but sales are still being made, including to foreign buyers, in spite of travel restrictions.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(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 Newmont deal in September 2018, 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 Newmont deal and the agreement with creditors in Uruguay will develop, or that the Company will be able to obtain adequate financing in the future on terms advantageous to the Company.

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 October 14, 2020, the date the Board of Directors approved the statements.

Principles of consolidation

The consolidated financial statements include the accounts of Orosur and its subsidiaries (collectively "the Group"). Subsidiaries are entities controlled directly or indirectly by Orosur. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. The Company's list of subsidiaries is included in note 20 and are all 100% owned by Orosur. All inter-company transactions and balances have been eliminated 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, 2020 and 2019

(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, 2020 and 2019

(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 income (loss). 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, 2020 and 2019

(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 coincides with the establishment of proven and probable reserves; however, this determination may be impacted by management's assessment of certain modifying factors including: legal, environmental, social and governmental factors.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(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 of an exploration asset occurs when at least one the following conditions are met:

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

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

An E&E cost incurred before any legal rights to explore an area of interest, or after an area was previously impaired, are expensed as incurred. Capitalized E&E costs are shown as an investing activity in the 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, 2020 and 2019

(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 statements 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, 2020 and 2019

(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.

Revenue recognition

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

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

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

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

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.

Share-based payments

The Company has a stock-based compensation plan and recognizes compensation expense for option awards. Compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized over the vesting period with a corresponding increase to contributed surplus. 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 instalments over the vesting period (graded vesting), each instalment 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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

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

Financial instruments (continued)

Financial liabilities

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

Amortized cost

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

Financial liabilities recorded at FVTPL

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

Expected credit loss impairment model

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

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

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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

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

Financial instruments (continued)

Classification of financial instruments (continued)

The following table summarizes the classification and measurement changes under IFRS 9, adopted June 1, 2018, 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

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).

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

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

New standards adopted

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, as well as some lease related interpretations. With certain exceptions for leases under 12 months in length or for assets of low value, IFRS 16 states that on lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. Based on the Company's assessment, the Company has determined that this standard has no significant impact on its consolidated financial statements.

IFRIC Interpretation 23, Uncertainty over Income Tax Treatments

Issued by the IASB on June 7, 2017, IFRIC 23 provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. Based on the Company's assessment, the Company has determined that this standard has no significant impact on its 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, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company is currently assessing the impact on the consolidated financial statements.

3. Critical accounting estimates, judgments and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of 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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

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

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. All are 100% owned by Orosur and they include 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.

Stock-based compensation

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

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

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.

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

As at May 31, 2020	Level 1	Level 2	Level 3
Accounts receivable and other assets	\$ 124	\$ -	\$ -
Accounts payable and accrued liabilities	(313)	-	-
	\$ (189)	\$ -	\$ -

As at May 31, 2019	Level 1	Level 2	Level 3
Accounts receivable and other assets	\$ 269	\$ -	\$ -
Accounts payable and accrued liabilities	(235)	-	-
	\$ 34	\$ -	\$ -

During the year ended May 31, 2020 and 2019, there were no transfers of amounts between fair value levels.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

5. Financial instruments (continued)

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, 2020, the Uruguayan peso (UY\$) depreciated by 23% (year ended May 31, 2019 13.2%) against the US dollar. The exchange rate as of May 31, 2020 was UY\$43.308 per 1 US dollar (May 31, 2019 UY\$35.252). The Company has in its Uruguayan operation three main operating expenses denominated in Uruguayan pesos: salaries, electricity and gas oil.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company manages liquidity risk by proactively forecasting its liquidity requirements with available funds and anticipated cash flows. The Company requires external funding to cover its corporate costs and advance its exploration program in Colombia, currently both financed by the cash payments and the work commitments from the Newmont deal from September 2018 (note 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, 2020, the Company had cash and cash equivalents of \$782 (May 31, 2019 - \$526), and total current assets of \$3,993 (May 31, 2019 - \$5,256) to settle current trade and other accrued liabilities of \$313 (May 31, 2019 - \$235) and liabilities of Chile discontinued operation of \$2,010 (May 31, 2019 - \$1,914). 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 \$3,081 and liabilities held for sale of \$17,389. 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, 2020 and 2019

(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.

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

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

In May 2019, the court approved the final list of creditors and Loryser's independent assets valuation. 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. On December 6, 2019, 10,000,000 common shares were issued to a trust for the benefit of Loryser's creditors as contemplated in the court-approved Agreement (note 15).

The Agreement was approved by the Reorganization court in Montevideo and the Court decree was publicly posted on September 13, 2019. The Agreement is legally binding for all trade creditors and Loryser's creditor protection status will ceased on that date together with Intervenor's control over the Company.

On December 6, 2019, 10,000,000 common shares were issued to a trust for the benefit of Loryser's creditors as contemplated in the court approval Agreement (note 15).

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 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 14) 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.

Orosur Mining Inc.

Notes to Consolidated Financial Statements

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(Expressed in thousands of United States dollars)

6. Discontinued operations (continued)

Uruguay (continued)

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

Uruguay - Net liabilities of discontinued operations held for sale

	As at May 31, 2020	As at May 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 328	\$ 199
Accounts receivable and other assets (note 7)	268	568
Inventories ⁽¹⁾ (note 8)	1,279	2,111
Total current assets	1,875	2,878
Property, plant and equipment (note 9)	1,195	1,548
Restricted cash	11	12
Total assets	\$ 3,081	\$ 4,438
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	\$ 13,585	\$ 16,708
Current portion of long-term debt (note 12)	1,254	1,517
Environmental rehabilitation provision	1,672	1,545
Total current liabilities	16,511	19,770
Non-current liabilities		
Long-term debt (note 12)	-	211
Environmental rehabilitation provision (note 13)	878	1,351
Total liabilities	17,389	21,332
Net liabilities of discontinued operations held for sale	(14,308)	(16,894)

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

Orosur Mining Inc.**Notes to Consolidated Financial Statements****Years Ended May 31, 2020 and 2019****(Expressed in thousands of United States dollars)**

6. Discontinued operations (continued)**Uruguay (continued)****Net income (loss) and comprehensive income (loss) from discontinued operations**

	Year Ended May 31, 2020	Year Ended May 31, 2019
Gross profit		
Revenue	\$ -	\$ 4,448
Cost of sales	-	(7,119)
Gross loss	-	(2,671)
Operating expenses		
Corporate and administrative expenses	(18)	(931)
Restructuring costs	-	(4,050)
Exploration and evaluation costs	-	(3)
Exploration expenses	-	(152)
Obsolescence provision	83	(1,101)
Care and maintenance	(2,397)	(3,178)
Other income	1,282	380
Net finance cost (net)	130	2,389
Net foreign exchange	3,519	1,392
Income (loss) before income tax	2,599	(7,925)
Net income (loss) and comprehensive income (loss) for the year attributable to owners of the parent	\$ 2,599	\$ (7,925)

Orosur Mining Inc.

Notes to Consolidated Financial Statements

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6. Discontinued operations (continued)

Uruguay (continued)

Cash flows from discontinued operations

	Year Ended May 31, 2020	Year Ended May 31, 2019
Operating activities - discontinued operations		
Net income (loss) for the year	\$ 2,599	\$ (7,925)
Adjustments for:		
Depreciation / Non-cash write-down	66	2,825
Inventory writedown's	-	403
Obsolescence provision	(83)	1,101
Accretion of asset retirement obligation	(130)	(2,413)
(Gain) loss on sale of fixed assets	(830)	429
Other	(1,694)	497
Changes in non-cash working capital items:		
Accounts receivable and other assets	300	919
Inventories	915	2,485
Accounts payable and accrued liabilities	(1,919)	(666)
Net cash used in by operating activities	(776)	(2,345)
Investing activities - discontinued operations		
Purchase of property, plant and equipment	-	(277)
Payments for environmental rehabilitation	(215)	7
Proceeds from sale of fixed assets	1,120	1,916
Net cash provided by investing activities	905	1,646
Financing activities - discontinued operations		
Loan payments	-	(398)
Net cash used in financing activities	-	(398)
Net Change in cash and cash equivalents	129	(1,097)
Cash and cash equivalents, beginning of year	199	1,296
Cash and cash equivalents, end of year	\$ 328	\$ 199

Orosur Mining Inc.

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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.

Anillo

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

Talca

As at May 31, 2018, the related assets were disclosed as held for sale for \$120 and an impairment charge of \$1,802 was recognized for the year ended May 31, 2018. In July 2018, the Company completed the sale of the mining property for a gross proceed of \$120. With this sale, the Company is left with no interest or obligation in Talca.

Pantaniillo

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 Pantaniillo 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. As at May 31, 2020, the value of the related assets was \$nil (May 31, 2019 - \$nil).

Following the relinquishment by Fortune Valley Resources Chile S.A. ("FVRC") of the Pantaniillo 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, 2020 for FVRC.

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, 2020. 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, 2020, a provision charge of \$1,946, including interest (May 31, 2019 - \$1,834, including interest) related to the Pantaniillo arbitration decision against FVRC was recognized.

Orosur Mining Inc.

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6. Discontinued operations (continued)

Chile (continued)

Chile - Net liabilities of discontinued operations

	As at May 31, 2020	As at May 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents ⁽¹⁾	\$ 4	\$ 14
Total assets	\$ 4	\$ 14
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities ⁽²⁾	\$ 2,010	\$ 1,914
Total current liabilities	2,010	1,914
Liabilities of Chile discontinued operation	2,010	1,914

(1) Cash and cash equivalents of \$4 (2019: \$14) have been reclassified from Discontinued Operation to cash and cash equivalents of continuing operations.

(2) Of which \$1,946 (May 31, 2019 - \$1,834) relates to the Pantanillo claim and interest.

Net loss and comprehensive loss from Chile discontinued operations

	Year Ended May 31, 2020	Year Ended May 31, 2019
Operating expenses		
General and administrative expenses ⁽¹⁾	\$ -	\$ -
Foreign exchange gain	-	-
Royalty provision	-	(1,843)
Net finance cost (net)	(102)	-
Net loss and comprehensive loss for the year attributed to the owners of the parent	\$ (102)	\$ (1,843)

(1) General and administrative expenses of \$(30) (2019: \$(170)) have been reclassified from Discontinued Operation to corporate and administrative expenses of continuing operations.

Orosur Mining Inc.

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7. Accounts receivable and other assets

Accounts receivable and other assets from continued operation

	May 31, 2020	May 31, 2019
Tax receivable ⁽¹⁾	\$ 6	\$ 11
Advance payments to suppliers	-	12
Deposit	95	107
Miscellaneous receivable ⁽²⁾	29	162
Total accounts receivable and other assets	\$ 130	\$ 292

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

(2) Prior year miscellaneous receivable includes a receivable from Newmont Columbia related to funding of the Anz  project.

Accounts receivable and other assets from discontinued operations (Uruguay)

	May 31, 2020	May 31, 2019
Tax receivable ⁽¹⁾	\$ 17	\$ 228
Advance payments to suppliers	116	162
Marketable securities	8	8
Miscellaneous receivable ⁽²⁾	127	170
Total accounts receivable and other assets	\$ 268	\$ 568

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

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

8. Inventories

Inventories from discontinued operations (Uruguay)

	May 31, 2020	May 31, 2019
Mine supplies	\$ 1,279	\$ 2,111
Total inventories	\$ 1,279	\$ 2,111

9. Property, plant and equipment

Property, plant and equipment from continued operations

Cost	Development costs						Total
	Tangible fixed assets	Asset retirement obligation	Tangible underground development costs	Open pit and deferred stripping subject to depreciation	Development costs not subject to depreciation		
Balance, May 31, 2018	\$ 81,495	\$ 11,189	\$ 44,604	\$ 56,806	\$ 5,133	\$ 199,227	
Additions	100	-	176	-	-	276	
Other	(1,876)	-	-	-	-	(1,876)	
Disposals	(18,482)	-	-	-	-	(18,482)	
Transfer to discontinued operations	(61,094)	(11,189)	(44,780)	(56,806)	(5,133)	(179,002)	
Balance, May 31, 2019	143	-	-	-	-	143	
Other	(14)	-	-	-	-	(14)	
Balance, May 31, 2020	\$ 129	\$ -	\$ -	\$ -	\$ -	\$ 129	

Orosur Mining Inc.

Notes to Consolidated Financial Statements

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9. Property, plant and equipment (continued)

Accumulated depreciation	Development costs					Total
	Tangible fixed assets	Asset retirement obligation	Tangible underground development costs	Open pit and deferred stripping subject to depreciation	Development costs not subject to depreciation	
Balance, May 31, 2018	\$ 78,025	\$ 10,669	\$ 42,580	\$ 56,806	\$ 4,568	\$ 192,648
Depreciation for the year	-	-	(2,251)	-	-	(2,251)
Disposals	(18,037)	-	-	-	-	(18,037)
Other	-	-	-	492	-	492
Transfer to discontinued operations	(59,932)	(10,669)	(40,329)	(57,298)	(4,568)	(172,796)
Balance, May 31, 2019	\$ 56	\$ -	\$ -	\$ -	\$ -	\$ 56
Depreciation for the year	(7)	-	-	-	-	(7)
Other	8	-	-	-	-	8
Balance, May 31, 2020	\$ 57	\$ -	\$ -	\$ -	\$ -	\$ 57

Carrying amount	Development costs					Total
	Tangible fixed assets	Asset retirement obligation	Tangible underground development costs	Open pit and deferred stripping subject to depreciation	Development costs not subject to depreciation	
Balance, May 31, 2019	\$ 87	\$ -	\$ -	\$ -	\$ -	\$ 87
Balance, May 31, 2020	\$ 72	\$ -	\$ -	\$ -	\$ -	\$ 72

Property, plant and equipment from discontinued operations (Uruguay)

Cost	Development costs			Total
	Tangible fixed assets	Tangible underground development costs		
Balance, May 31, 2019	61,094	5,133		66,227
Disposals	(4,152)	-		(4,152)
Balance, May 31, 2020	\$ 56,942	\$ 5,133	\$	\$ 62,075

Orosur Mining Inc.

Notes to Consolidated Financial Statements

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9. Property, plant and equipment (continued)

Property, plant and equipment from discontinued operations (Uruguay)

Accumulated depreciation	Development costs		
	Tangible fixed assets	Tangible underground development costs	Total
Balance, May 31, 2019	\$ 60,038	\$ 4,641	\$ 64,679
Disposals	(3,859)	-	(3,859)
Other	60	-	60
Balance, May 31, 2020	\$ 56,239	\$ 4,641	\$ 60,880

Carrying amount	Development costs		
	Tangible fixed assets	Tangible underground development costs	Total
Balance, May 31, 2019	\$ 1,056	\$ 492	\$ 1,548
Balance, May 31, 2020	\$ 703	\$ 492	\$ 1,195

10. Exploration and evaluation costs

For the year ended May 31, 2020, the Company recorded an impairment charge of \$nil (May 31, 2019 - \$152), of which \$nil related to exploration projects in Uruguay (May 31, 2019 - \$152).

Year ended May 31, 2019	Discontinued operations			
	Uruguay	Chile	Colombia	Total
Balance, May 31, 2018	\$ -	\$ -	\$ 9,755	\$ 9,755
Additions	152	-	427	579
Anzá Project option agreement payment	-	-	(810)	(810)
Foreign exchange differences	-	-	(889)	(889)
Write off	(152)	-	-	(152)
Balance, May 31, 2019	\$ -	\$ -	\$ 8,483	\$ 8,483

No changes occurred during the year ended May 31, 2019 regarding the Company's exploration farm-in agreements, acquisitions and farm-out agreements and status of each project as reported at May 31, 2019, with the exception of the transaction with Newmont on the Anzá Project in Colombia (note 14(b)).

Orosur Mining Inc.

Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

10. Exploration and evaluation costs (continued)

Year ended May 31, 2020	Colombia	Total
Balance, May 31, 2019	\$ 8,483	\$ 8,483
Additions	560	560
Anzá Project option agreement payment	(2,019)	(2,019)
Foreign exchange movement	(545)	(545)
Balance, May 31, 2020	\$ 6,479	\$ 6,479

Strategic Alliance with Newmont

In September 10, 2018, the Corporation completed an exploration agreement with venture option with Newmont Colombia S.A.S., a wholly-owned subsidiary of Newmont 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.

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of continued operations

	May 31, 2020	May 31, 2019
Commercial suppliers	\$ 311	\$ 233
Salaries, labour benefits and social security contributions	2	2
Total accounts payable and accrued liabilities	\$ 313	\$ 235

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

	May 31, 2020	May 31, 2019
Commercial suppliers ⁽¹⁾	\$ 8,245	\$ 9,883
Salaries, labour benefits and social security contributions ⁽²⁾	4,813	6,113
Mining royalties and other taxes	527	712
Total accounts payable and accrued liabilities	\$ 13,585	\$ 16,708

(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).

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12. Long-term debt

Long-term debt of discontinued operations (Uruguay)

	May 31, 2020	May 31, 2019
Current financial debt ⁽¹⁾	\$ 1,254	\$ 1,517
Non-current debt	-	211
Net debt	\$ 1,254	\$ 1,728

(1) Related to the line of credit in the amount of \$1,500. The total amount of the financial debt showing above is included under the Loryser Reorganization Proceedings (note 6).

13. 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, 2020 and year ended May 31, 2019:

Environmental rehabilitation provision continued operations

	May 31, 2020	May 31, 2019
Balance, beginning of year	\$ -	\$ 5,422
Changes in cash flow estimates	-	(2,502)
Expenditure incurred in rehabilitation	-	(114)
Accretion expense	-	90
Balance at end of year	\$ -	\$ 2,896
Less: transferred to discontinued operations	-	(2,896)
Balance, end of year	\$ -	\$ -

Environmental rehabilitation provision discontinued operations (Uruguay)

	May 31, 2020	May 31, 2019
Balance, beginning of year	\$ 2,896	\$ -
Transferred from continued operations	-	2,896
Expenditure incurred in rehabilitation	(216)	-
Accretion expense	(130)	-
Balance at end of year	\$ 2,550	\$ 2,896
Less: current portion	(1,672)	(1,545)
Balance, end of year	\$ 878	\$ 1,351

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 DINAMA, the Uruguayan environmental agency.

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13. Environmental rehabilitation provision (continued)

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, 2019 - \$1,326) have been provided by local Uruguayan insurance companies and financial institutions. Before the expiration of the coverage period, DINAMA executed these guarantees in order to secure the funds for the future remediation. Loryser has been in discussions with DINAMA apply these funds to contribute to the cost of remediation work at San Gregorio. In line with Company's expectations during Q3 2020, Loryser managed to close and sign a Settlement Agreement with DINAMA in order to apply the \$1.326 million from the environmental guarantee that had been executed. Pursuant to the Settlement Agreement, Loryser is continuing with the reclamation of the tailings dam and DINAMA will pay in instalments on completion of a six-phased closure plan. The first such payment by DINAMA of \$150 under the plan was received by the Company in May 2020. The Settlement Agreement is now effective after getting final approval from the Audit Tribunal and a Civil court that oversees all Governmental accounts and settlements.

14. Share capital

a) Authorized share capital

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

b) Common shares issued

	Number of common shares (^{'000})	Amount \$
Balance, May 31, 2018	117,587	63,290
Private placement ⁽¹⁾⁽²⁾	29,213	1,762
Issue costs of private placement ⁽³⁾	3,478	238
Balance, May 31, 2019	150,278	65,290
Creditor share issued to Trust ⁽⁴⁾	10,000	380
Balance, May 31, 2020	160,278	65,670

(1) On July 10, 2018, Newmont advanced \$250 to subscribe for 3,603,077 common shares of Orosur at a price of CDN\$0.091 per share. The share price represents a 102% premium to the closing price of the Company's common shares on the TSX 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 Anzá exploration property in Colombia.

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

Orosur Mining Inc.

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14. Share capital (continued)

b) Common shares issued (continued)

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

(4) On December 6, 2019, the Company issued 10,000,000 common shares pursuant to the Company's previously announced Agreement between the Company's wholly-owned subsidiary, Loryser and Loryser's creditor. The common shares were issued to a trust for the benefit of Loryser's creditors as contemplated in the court-approved Agreement and is classified under Deficit in the balance sheet (see note 15). The shares were valued at \$380 using the Company's share price on day of closing.

15. Shares held by trust

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 (note 14) to the San Gregorio Trust. The Trust, is an independent legal body established by Orosur (the "Settlor") with a 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.

16. Stock options

The Company has an option plan (the "Plan") for the officers, directors, employees and consultants of the Company and its subsidiaries. Options under the Plan are typically granted in that 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. One third of options vest on the grant date, one third of options vest 12 months from grant date and the final one third vest 24 months from grant date.

Orosur Mining Inc.

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16. Stock options (continued)

The following table summarizes information regarding the Company's outstanding options at May 31, 2020:

	Number of stock options ('000)	Weighted average exercise price (CDN \$)
Balance, May 31, 2018	8,944	\$ 0.20
Issued ⁽¹⁾	1,845	0.11
Expired / Forfeitures	(2,372)	0.22
Balance, May 31, 2019	8,417	\$ 0.18
Issued ⁽²⁾ ⁽³⁾	1,900	0.05
Expired / Forfeitures	(3,509)	0.18
Balance, May 31, 2020	6,808	\$ 0.14

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

(2) On November 14, 2019, 1,460,000 options were granted to directors, officers and employees of the Company at an exercise price of CDN\$0.05, pursuant to the Company's stock option plan and \$19 of stock-based compensation expense was recorded for this grant. The fair value was determined based on the Black-Scholes option pricing model using the following assumptions: strike price - CDN\$0.05; risk free interest rate - 1.47%; expected volatility - 125.6%; expected life - 5 years; forfeiture rate - 10% and expected dividends - \$nil.

(3) On May 4, 2020, 440,000 options were granted to directors and an officer of the Company at an exercise price of CDN\$0.04, pursuant to the Company's stock option plan and \$11 of stock-based compensation expense was recorded for this grant. The fair value was determined based on the Black-Scholes option pricing model using the following assumptions: strike price - CDN\$0.04; risk free interest rate - 0.41%; expected volatility - 141%; expected life - 5 years; and expected dividends - \$nil.

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16. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of May 31, 2020:

Expiry date	Exercise price (CDN \$)	Weighted average remaining contractual life (years)	Number of options outstanding ('000)	Number of options vested (exercisable) ('000)
January 20, 2021	0.11	0.64	950	950
March 4, 2021	0.13	0.76	159	159
June 1, 2021	0.18	1.00	105	105
June 19, 2021	0.235	1.05	172	172
September 1, 2021	0.28	1.25	59	59
November 30, 2021	0.235	1.50	1,218	1,218
November 17, 2022	0.24	2.47	1,155	1,155
October 23, 2023	0.11	3.40	1,257	838
November 14, 2024	0.05	4.46	1,293	431
May 4, 2025	0.04	0.04	440	147
	0.14	2.64	6,808	5,234

As at May 31, 2020, there were 6,808 options outstanding, of which 5,234 were vested and exercisable (May 31, 2019 - 8,417 and 6,891, respectively). The weighted average exercise price of the options outstanding as at May 31, 2020 was CDN\$0.14 (May 31, 2019 - CDN\$ 0.18).

During the year ended May 31, 2020, \$40 of compensation expense was recorded (\$54 for the year ended May 31, 2019).

17. Cost of sales

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

	Year Ended May 31, 2020	Year Ended May 31, 2019
Mining and transportation costs	\$ -	\$ 1,315
Processing costs	-	1,320
Mine site administration costs	-	519
Change in stockpiles, gold in circuit, finished goods	-	1,085
Refinery charges	-	76
Depreciation	-	2,635
Mining royalties and other production tax	-	169
Total cost of sales	\$ -	\$ 7,119

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

Orosur Mining Inc.**Notes to Consolidated Financial Statements****Years Ended May 31, 2020 and 2019****(Expressed in thousands of United States dollars)**

18. Income taxes

(a) Current and deferred income tax composition:

	Year Ended May 31, 2020	Year Ended May 31, 2019
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, 2020	Year Ended May 31, 2019
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, 2020, the Company has recognized \$nil (May 31, 2019 - \$nil) of deferred tax assets in respect of Uruguayan deductible temporary differences as projections of various sources of income support the conclusion that the realizability of these deferred tax assets is not probable.

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18. Income taxes (continued)

(c) Unrecognized tax benefits

As at May 31, 2020, the Company had non-capital loss carry forwards of \$121,856 (May 31, 2019 - \$107,639). The losses at gross value by tax jurisdictions expire as shown in the following table.

	Barbados	Canada	Chile	Columbia	Uruguay	Total
May 2021	\$ 1,521	\$ -	\$ -	\$ -	\$ 3,953	\$ 5,474
May 2022	1,766	-	-	-	7,619	9,385
May 2023	386	-	-	-	22,234	22,620
May 2024	608	-	-	-	16,372	16,980
May 2025	256	98	-	-	-	354
May 2026 to May 2039	5	18,760	-	-	-	18,765
No expiration term	-	-	48,278	-	-	48,278
Total	4,542	18,858	48,278	-	50,178	121,856

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, 2020	Year Ended May 31, 2019
Loss before taxes	\$ 970	\$ (11,619)
Income tax rate	26.5 %	26.7 %
Expected income tax (expense)/recovery	(257)	3,102
Tax effect of:		
Fiscal inflation adjustment	40	-
Foreign exchange rate	168	12
Other temporary differences not recognized	49	(3,114)
Income tax (expense)/recovery for the year	\$ -	\$ -

19. Income (loss) per share

For the year ended May 31, 2020, basic and diluted loss per share for continued operations has been calculated based on the loss attributable to common shareholders of \$1,527 (year ended May 31, 2019 - loss of \$1,851) and the weighted average number of common shares outstanding of 153,380 (year ended May 31, 2019 - 136,774).

For the year ended May 31, 2020, basic and diluted income per share for discontinued operations has been calculated based on the income attributable to common shareholders of \$2,497 (year ended May 31, 2019 - loss of \$9,768) and the weighted average number of common shares outstanding of 153,380 (year ended May 31, 2019 - 136,774).

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

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20. Related parties

Subsidiaries:

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

Name of subsidiary	Country of incorporation	Equity interest as of		Functional currency
		May 31, 2020	May 31, 2019	
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	United Kingdom	100%	100%	US dollar

Compensation of key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the members of the Board of Directors of the Company (executive and non-executive) and the following key executives: Chief Executive Officer 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, 2020	Year Ended May 31, 2019
Salaries and other short term benefits	\$ 400	\$ 551
Directors fees	110	110
Share-based payments	15	22

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Years Ended May 31, 2020 and 2019

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20. Related parties (continued)

Compensation of key management personnel (continued)

Directors and key executives are also granted stock options to acquire the Company's shares. During the year ended May 31, 2020, 1,055,000 options were granted to directors (year ended May 31, 2019 - 615,000) and 360,000 stock options were granted to executive officers (year ended May 31, 2019 - 360,000). During the year ended May 31, 2020, nil stock options were exercised by directors (year ended May 31, 2019 - nil) and nil stock options were exercised by executive officers (year ended May 31, 2019 - nil). The Company's weighted average share price for the options granted to key management for the year ended May 31, 2020 was CDN\$0.05 (year ended May 31, 2019 - CDN\$0.11).

21. Restatement of previously reported financial statements

Subsequent to the issuance of the previously reported financial statements for the year ended May 31, 2019 (filed on SEDAR on September 3, 2019), management have amended the treatment of the fees of \$500 received in 2019 from Newmont pursuant to the Exploration with Option Agreement. In the 2019 financial statements this fee of \$500 was shown on the consolidated statements of loss as "Other Income". After further deliberation and a review of industry practice, it has been determined that a preferable treatment is to set off this fee, and any future such fees, against the Exploration and Evaluation Assets on the balance sheet.

The 2019 results have also been restated for historical foreign exchange rate movements of \$147 not properly previously captured in the accounts.

The following summarizes the effects of the adjustments on the financial statements for 2019:

	Original 2019	Adjustment	Restated 2019
Line item on the restated consolidated statements of financial position			
Exploration and evaluation assets	\$ 8,983	\$ (500)	\$ 8,483
Total assets	14,326	(500)	13,826
Liabilities held for sale of Uruguay	21,479	(147)	21,332
Total current liabilities	23,641	(147)	23,494
Currency translation reserve	(1,653)	147	(1,506)
Deficit	(78,899)	(500)	(79,399)
Total deficit	(9,315)	(353)	(9,668)
Total deficit and liabilities	14,326	(500)	13,826
Line items on the restated consolidated statements of loss:			
Other income	\$ 503	\$ (500)	\$ 3
Net loss for the year for continued operations	(1,351)	(500)	(1,851)
Cumulative translation adjustment	(741)	147	(594)
Total comprehensive loss for the year from continued operations	(2,092)	(353)	(2,445)
Total comprehensive income (loss) for the year	(11,860)	(353)	(12,213)
Basic and diluted net loss per share for continued operations	(0.01)	-	(0.01)

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Notes to Consolidated Financial Statements

Years Ended May 31, 2020 and 2019

(Expressed in thousands of United States dollars)

21. Restatement of previously reported financial statements (continued)

Line item on the restated consolidated statements of cash flows:

Net income (loss) for the year	\$	(11,119)	\$	(500)	\$	(11,619)
Adjustments for – Foreign exchange and other		351		147		498
Changes in non-cash working capital – Accounts payable and accrued liabilities		1,085		(147)		938
Net cash used in operating activities		(4,098)		(500)		(4,598)
Investing activities – Proceeds received from exploration and option agreement		310		500		810
Net cash provided by investing activities		1,646		500		2,146

Line items on the restated consolidated statements of changes in shareholders' deficit:

Net loss for the year from continued operations	\$	(1,351)	\$	(500)	\$	(1,851)
Currency translation adjustment	\$	(741)	\$	147	\$	(594)
Total deficit - Balance, May 31, 2019		(9,315)		(353)		(9,668)

22. Segmented information

As noted in note 2 to the Company's consolidated financial statements for the year ended May 31, 2020, 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. As already explained, Uruguay and Chile are considered as discontinued operations within those segments.

	Discontinued					Total
	Uruguay	Exploration Chile	Exploration Colombia	Corporate		
Year ended May 31, 2020						
Exploration expenses	\$ -	\$ -	\$ 5	\$ (42)	\$ (37)	
Corporate and administrative expenses	-	-	(7)	(1,493)	(1,500)	
Other income	-	-	6	-	6	
Discontinued operations	2,599	(102)	-	-	2,497	
Total segment income (loss)	\$ 2,599	\$ (102)	\$ 4	\$ (1,535)	\$ 966	

	Discontinued					Total
	Uruguay	Exploration Uruguay	Exploration Chile	Exploration Colombia	Corporate	
Year ended May 31, 2019						
Exploration expenses	-	-	-	(45)	-	(45)
Exploration and evaluation costs written off	-	-	-	-	(7)	(7)
Royalty provision	-	-	(1,843)	-	-	(1,843)
Corporate and administrative expenses	-	-	-	-	(1,823)	(1,823)
Other income	-	-	-	3	-	3
Discontinued operations	(7,925)	-	-	-	-	(7,925)
Total segment loss	\$ (7,925)	\$ -	\$ (1,843)	\$ (42)	\$ (1,830)	\$ (11,640)

Orosur Mining Inc.**Notes to Consolidated Financial Statements****Years Ended May 31, 2020 and 2019****(Expressed in thousands of United States dollars)**

22. Segmented information (continued)

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

	Year Ended May 31, 2020	Year Ended May 31, 2019
Segment loss continued operations	\$ (1,531)	\$ (1,872)
Segment income (loss) discontinued operations (note 6)	2,497	(9,768)
Net finance cost	(6)	(13)
Gain on fair value of financial instruments, net	11	57
Net foreign exchange gain	(1)	(23)
Cumulative translation adjustment	(510)	(594)
Total comprehensive loss for the period	\$ 460	\$ (12,213)

23. Subsequent events

- i) On August 14, 2020, 8,370 warrants expired unexercised.
- ii) On September 1, 2020, the Company received a cash payment of \$500 from Newmont, in connection with its earn-in rights pursuant to the Exploration Agreement with Venture Option over the Anzá project in Colombia.