Orsu Metals Corporation

Consolidated Financial Statements (Unaudited)

September 30, 2016 and 2015

(In thousands of US dollars)

Orsu Metals Corporation

Consolidated Balance Sheets
(in thousands of US dollars)

	September 30 2016 $	December 31 2015 $
Assets		
Current assets		
Cash and cash equivalents	3,125	4,697
Prepaid expenses and receivables	51	238
Assets of disposal group held for sale (note 4)	8,068	-
	11,244	4,935
Non-current assets		
Property, plant and equipment (note 5)	5	8,287
Other assets (note 6)	10	88
	15	8,375
Total assets	11,259	13,310
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	286	436
Liabilities of disposal group held for sale (note 4)	41	-
Liabilities of discontinued operation (note 6)	-	475
Lease obligations (note 8)	-	171
Share warrant liability (note 9)	-	5
	327	1,087
Equity		
Share capital (note 10a)	382,576	382,576
Share purchase options (note 10b)	100	115
Contributed surplus	34,161	34,146
Non-controlling interest	(790)	(727)
Deficit	(405,115)	(403,887)
	10,932	12,223
Total equity and liabilities	11,259	13,310

Commitments (note 12)
Subsequent events (note 14)

Approved by the Board of Directors

(signed) Sergey Kurzin Executive Chairman

(signed) Alexander Yakubchuk Director

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

Orsu Metals Corporation

Consolidated Statement of Net Loss and Comprehensive Loss (Unaudited)

(in thousands of US dollars)

	Three months ended September 30, 2016 $	Three months ended September 30, 2015 $	Nine months ended September 30, 2016 $	Nine months ended September 30, 2015 $
Operating expenses				
Administration	(374)	(484)	(707)	(1,264)
Legal and professional	(41)	(115)	(182)	(326)
Exploration (note 3)	(26)	-	(26)	-
Stock based compensation charge	-	(100)	-	(100)
Foreign exchange losses	(10)	(9)	(30)	(15)
Loss from disposal group assets held for sale (note 4)	(585)	(469)	(810)	(867)
	(1,036)	(1,177)	(1,755)	(2,572)
Unrealized gain on share warrant liability (note 9)	-	(4)	5	36
Net of finance (expense) less finance income	5	14	(22)	58
	5	10	(17)	94
Net loss and comprehensive loss for the period from continuing operations	(1,031)	(1,167)	(1,772)	(2,478)
Loss from discontinued operation (note 6)	(9)	(72)	(72)	(148)
Net gain from disposal of discontinued operation (note 6)	553	-	553	-
	544	(72)	481	(148)
Net loss and comprehensive loss for the period	**(487)**	(1,239)	**(1,291)**	(2,626)
Net loss attributable to owners of the parent:				
Loss from continuing operations	(1,011)	(1,115)	(1,709)	(2,347)
Net gain/ (loss) from discontinued operations	544	(72)	481	(148)
Loss and comprehensive loss for the period attributable to the parent	(467)	(1,187)	(1,228)	(2,495)
Net loss attributable to non-controlling interests:				
Loss from continuing operations	(20)	(52)	(63)	(131)
Loss from discontinued operations	-	-	-	-
Loss and comprehensive loss for the period attributable to non-controlling interests	(20)	(52)	(63)	(131)
Loss per share (US dollar per share) from continuing operations:				
Basic	$(0.00)	$(0.01)	$(0.01)	$(0.01)
Diluted	$(0.00)	$(0.01)	$(0.01)	$(0.01)
Net gain/ (loss) per share (US dollar per share) from discontinued operation:				
Basic	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Diluted	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Weighted average number of common shares (in thousands)	182,696	182,696	182,696	182,696

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

Orsu Metals Corporation

Consolidated Statement of Cash Flows (Unaudited)

(in thousands of US dollars)

	Nine months ended September 30, 2016 $	2015 $
Cash flows used by operating activities		
Net loss and comprehensive loss for the period	(1,291)	(2,626)
Items not affecting cash:		
Depreciation (note 5)	11	84
Unrealized exchange (gains)/ losses on cash and cash equivalent balances	27	(33)
Fair value adjustment Karchiga Project	464	-
Onerous provision release (note 8)	(171)	(244)
Share based payments (note 10b)	-	100
Net gain from disposal of discontinued operation (note 6)	(559)	-
Unrealized derivative gain on share warrant liability (note 9)	(5)	(36)
Foreign exchange losses	35	370
	(1,489)	(2,385)
Changes in non-cash working capital:		
Accounts receivable and other assets	111	5
Accounts payable and accrued liabilities	(90)	326
Net cash used by operating activities	(1,468)	(2,054)
Cash flows used by investing activities		
Expenditures on property, plant and equipment (note 5)	(58)	(68)
Net decrease in cash and cash equivalents in the period	**(1,526)**	**(2,122)**
Cash and cash equivalents - Beginning of the period	4,697	7,607
Exchange (losses)/ gains on cash and cash equivalents	(27)	33
Cash and cash equivalents - End of the period	**3,144**	5,518
Cash and cash equivalents per the consolidated balance sheets	**3,125**	**5,517**
Included in assets held for sale (note 4)	19	1

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

Orsu Metals Corporation

Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of US dollars)

Consolidated statements of changes to equity as at September 30, 2016 and September 30, 2015:

	Share capital						
	Number of shares (000s)	**Share capital $**	**Share purchase options $**	**Contributed surplus $**	**Non-controlling interest $**	**Deficit $**	**Total equity $**
Balance as at January 1, 2015	182,696	382,576	5,601	28,560	(569)	(395,085)	21,083
Share options granted (note 10b)	-	-	100	-	-	-	100
Share options forfeited or lapsed	-	-	(5,485)	5,485	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(131)	(2,495)	(2,626)
Balance as at September 30, 2015	182,696	382,576	216	34,045	(700)	(397,580)	18,557
Balance as at January 1, 2016	182,696	382,576	115	34,146	(727)	(403,887)	12,223
Share options forfeited or lapsed (note 10b)	-	-	(15)	15	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(63)	(1,228)	(1,291)
Balance as at September 30, 2016	182,696	**382,576**	**100**	**34,161**	**(790)**	**(405,115)**	**10,932**

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

1. General information

Orsu Metals Corporation ("Orsu" or the "Company") is a base and precious metals exploration and development company listed on the Toronto Stock Exchange (TSX: OSU). The Company previously held a dual listing on the Alternative Investment Market ("AIM"), in London, but de-listed from AIM effective May 11, 2016. The Company is currently in the process of disposing its two most advanced projects in the Republic of Kazakhstan (or "Kazakhstan") as described below. In addition, in August 2016, the Company completed the disposal of its remaining exploration licenses within the Kyrgyz Republic (or "Kyrgyzstan"), as described below.

The Company plans to utilise the sale proceeds from the successful disposal of its Kazakh projects for the potential acquisition of an exploration license situated in the Mogocha District of the Zabaikal'skiy region of the Russian Federation within the Sergeevskoe license area (the "Sergeevskoe Project").

The Company is incorporated in the British Virgin Islands and domiciled in the United Kingdom. Its principal place of business is at Berkeley Square House, Berkeley Square, London, W1J 6BD, United Kingdom.

a) Conditional acquisition of the Sergeevskoe Project
In September 2016, the Company entered exclusive and binding heads of agreement for the potential acquisition of 100% of Sibzoloto Investments Limited ("Sibzoloto"), a Cypriot registered company, which is the sole owner of LLC GK Alexandrovskoe ("LLC GK Alexandrovskoe") which in turn is the sole owner of the license for the Sergeevskoe Project (the "Sergeevskoe Agreement"), from four arm's length parties, who are the 100% owners of Sibzoloto (together the "Sellers"). The acquisition (the "Sergeevskoe Acquisition") is subject to the conditions and terms which are detailed in note 3.

b) Conditional sale of Karchiga and Kogodai Projects in Kazakhstan
In April 2016, the Company entered two separate agreements with Karasat Trading FZE ("Karasat"), a company registered in the United Arab Emirates, for the sale of the Company's two projects in Kazakhstan consisting of the Karchiga Project and the Kogodai Project (as defined below). The description and the summary terms for the sale of the Karchiga and Kogodai Projects are:

i/ Karchiga Project
The Company's principal and most advanced project comprising a license area in eastern Kazakhstan containing the copper bearing Karchiga volcanogenic massive sulphide ("VMS") deposit which is part of the Rudny Altai polymetallic belt (the "Karchiga Project"). The Company indirectly holds a 94.75% interest in the Karchiga Project via its 100% interest in Eildon Enterprises Limited ("Eildon"), the immediate parent of GRK MLD LLP ("MLD") and the holder of the exploration license for the Karchiga exploration property. Since 2012, the Company has been seeking to secure the funding required for the construction of a mine and processing facilities. However, due to the continuing adverse economic environment during this period the Company was unable to secure the necessary funding required and the Company looked at alternative solutions. Thus, the Company entered into an agreement to sell its 94.75% interest in MLD to Karasat for consideration of $7.75 million (the "Karchiga Transaction") subject to various conditions (set out in note 4) and amendments (as set out in note 14).

ii/ Kogodai Project
This comprises the exploration project for a prospect 70 km north west of the Karchiga Project identified as a VMS copper mineralization within the Kurchum-Kalzhir metamorphic terrain, the same tectonic unit that hosts the Karchiga deposit (the "Kogodai Project"). In a separate agreement, the Company entered into an agreement to sell for $10,000 its effective 51% interest in the Kogodai Project to Karasat through the sale of it's 63.75% interest in Harssin Management B.V. ("Harssin") which is the 100% parent of Orsu Metals Kazakhstan LLP ("Orsu Kazakhstan") which, in turn, holds an 80% majority interest in Kogodai Joint Venture LLP ("Kogodai JV LLP") and is the holder of the exploration license for the Kogodai Project (the "Kogodai Transaction") subject to the conditions (set out in note 4).

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

c) Akdjol-Tokhtazan Project

On August 1, 2016, the Company entered an agreement with three arm's length individuals to sell its 100% interest in Tournon Finance Limited ("Tournon") which owns 100% of Oriel in Kyrgyzstan LLC ("OiK") and owner of the Akdjol and Tokhtazan exploration licenses (the "Akdjol-Tokhtazan Project") for an effective initial consideration of $1 and the assumption of the existing liabilities of OiK. The estimated liabilities as at completion in September 2016 were approximately $559,000 and the Company recognised the assumption of these liabilities, less costs of disposal of approximately $6,000 as a gain on disposal.

The exploration license area for the Akdjol-Tokhtazan Project is in the Jelal-Abad Oblast, western Kyrgyzstan. The Akdjol and Tokhtazan exploration licenses were renewed to January 1, 2020 following their expiry on December 31, 2015. During 2010, the Company identified the Akdjol license area as a gold-silver epithermal prospect and the Tokhtazan license area as a gold prospect. Since 2011 the Company sought to dispose of the Akdjol-Tokhtazan Project but was not able to successfully dispose of the project and consequently, as at December 31, 2015 the Company decided to suspend work at the Akdjol-Tokhtazan Project (detailed in note 6).

These interim unaudited consolidated financial statements were authorized by the Board of Directors on November 11, 2016.

2. Basis of preparation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") which requires publicly accountable enterprises to apply International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") IAS 34 "*Interim Financial Reporting*". The accounting policies applied in these interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as at December 31, 2015 except for the following:

- The Company has classified the assets and liabilities, measured at fair value less costs to sell, on the balance sheet as at September 30, 2016 as "Assets Held for Sale" and reported the net losses of both the Karchiga Project and Kogodai Project in the consolidated statement of net losses and comprehensive loss as "Assets Held for Sale" for the nine months ended September 30, 2016 and September 30, 2015 (see note 4 below).

3. Exploration

Conditional acquisition of the Sergeevskoe Project

In September, the Company entered the Sergeevskoe Agreement which is subject to an exclusivity period until January 31, 2017, to complete due diligence and enter definitive documentation to complete the transaction. The Sergeevskoe Agreement will automatically terminate on the later of January 31, 2017 or the exclusivity period may be extended by mutual agreement of both parties. In addition, Orsu has the right to terminate the Sergeevskoe Agreement without any obligation at any time during the due diligence process in the event of material adverse finding during such due diligence.

The Sergeevskoe Agreement is subject to the following conditions:

- The completion of technical, legal and financial due diligence by each party, which will include the production of technical report conforming to the requirements of the National Instruments 43-101;
- Execution of a Sale and Purchase Agreement ("SPA") and definitive documentation;
- Obtaining the necessary approvals, if any, from the Russian Federation for the transfer of ownership of the Sergeevskoe Project to Orsu;

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

- TSX approval of the Proposed Transaction (including the issue of shares) and any other regulatory approvals required by the TSX or by the applicable securities commissions or regulatory authorities in Canada, and
- The outcome of the proposed disposal of the Karchiga Project by June 30, 2017.

Prior to completion of the Sergeevskoe Acquisition:

- A representative of the Sellers will be granted the right to attend board meetings of Orsu as an observer prior to completion of the proposed transaction. Upon completion of the proposed transaction, the Sellers will have the right to appoint two directors in total to the Board of Directors of Orsu and the total number of directors of Orsu will remain at five. The appointment of such directors will be subject to any approvals required by the TSX or other applicable regulatory bodies for such individual appointee;
- Orsu will not authorize any additional expenditure over and above current contractual obligations and those required for its ordinary course of business in excess of $5,000 without the prior written consent of a representative of the Sellers, and
- Shortly following completion of the proposed transaction, Orsu will make available no less than $1.5 million to fund the exploration of the Sergeevskoe Project.

Consideration of the Sergeevskoe Acquisition

Upon the successful completion of the conditions set out above, Orsu will acquire 100% of the Sergeevskoe Project via the acquisition of Sibzoloto, and 100% of a nearby work camp via the acquisition of LLC Davenda, a company under effective control of the Sellers.

The consideration for Sibzoloto and LLC Davenda will be as set out below:

1) 146,605,683 new common shares of the Company to be issued to the Sellers for the acquisition of 30% of the outstanding shares of Sibzoloto at closing such that, post-closing, the Sellers will own approximately 44.5% of the enlarged share capital of Orsu (or 42.5% of the total enlarged and fully diluted share capital of Orsu, assuming exercise of all issued and outstanding options). The Sellers shall transfer the remaining 70% of the outstanding shares of Sibzoloto at the time the Company completes the sale of its Karchiga Project;
2) In the event that the proceeds from the sale of the Karchiga Project are not received by June 30, 2017, subject to regulatory approval to be sought at that time, the Company will issue a further 378,731,348 common shares of Orsu (the “Top-up Shares”) to the Sellers such that the Sellers will own in aggregate a combined total of 525,337,031 common shares of Orsu or, approximately, 74.2% of the enlarged share capital of Orsu (or 72.5% of the total enlarged and fully diluted outstanding common shares of Orsu, assuming exercise of all issued and outstanding options). The issuance of the Top-up Shares will be conditional upon the Sellers transferring the 700 remaining shares in Sibzoloto such that Orsu owns all 1,000 shares (100%) of Sibzoloto. Any subsequent receipt of proceeds from the sale of the Karchiga Project will inure to the benefit of all shareholders of Orsu as at a date to be established in the definitive sale and purchase documentation (excluding the Sellers), and
3) Orsu will acquire 100% of LLC Davenda, a company under effective control of the Sellers, that owns the fully operational work camp located near the Sergeevskoe Project area for aggregate cash consideration of $600,000, with $180,000 to be paid on closing of the proposed transaction and the balance of $420,00 to be paid within ten days after completion of the sale of the Karchiga Project. In the event the sale of the Karchiga Project is not completed by June 30, 2017, the balance of $420,000 will be paid to the Sellers within ten days after June 30, 2017. The acquisition by Orsu of LLC Davenda is inter-conditional with the acquisition by Orsu of Sibzoloto.

During the three months ended September 30, 2016 the Company engaged Wardell Armstrong International to prepare a formal report in accordance with NI 43-101 on the pre-existing Soviet era data at the Sergeeskoe Project and incurred initial expenditure of $26,000. Subsequent to the period end, the

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

Company and Sibzoloto initiated further exploration work at the Sergeevskoe Project, funded by the Company, expected to total approximately $350,000.

4. Assets held for sale

Conditional sale of Karchiga Project

In April 2016, the Company entered the Karchiga Transaction with Karasat which is subject to various significant conditions, including:

a) Karasat obtaining the requisite antimonopoly approval from the relevant Kazakh authorities (the “Antimonopoly Approval”);

b) obtaining a formal consent to the change in ownership from the Ministry of Industry and Development (the “MID”, the relevant Kazakh authority), required under Kazakh law, which was obtained in August 2016;

c) The Company obtaining an amendment to the licences to delay commencement of production to the first quarter of 2019 (the “Amendment”), and

d) the issuance or renewal (extension) of Technical Conditions for connection to the electricity grid and to procure sufficient water supply for the facilities of the Karchiga Project.

If any of the Amendment or the Antimonopoly Approval are outstanding and Karasat does not agree to extend the longstop date, the Sellers will repay the deposit to Karasat;

A longstop date of January 31, 2017 (extended from October 11, 2016), see “Subsequent event” note 14, which will automatically roll forward by a further three months if the only conditions not satisfied at that time are one or more of the Consent, the Amendment or the Antimonopoly Approval. The longstop date may also be further extended by the mutual agreement of the parties.

The Company will pay a termination fee of $400,000 plus costs of Karasat up to an additional $150,000 in directly related professional costs in the event that it terminates the agreement before Completion.

The sale and purchase agreement governing the Karchiga Transaction (filed on the Company’s profile on www.SEDAR.com) contains normal commercial warranties and indemnities from the Sellers.

Upon the completion of the conditions set out above, the sale consideration for the Karchiga Transaction is $7.75 million (less a non-refundable deposit of $100,000 received in May 2016 from Karasat following the signing of the Karchiga Transaction). Upon receipt of the consideration the Company will allocate the proceeds as follows:

- $4,438,268 for the purchase of intercompany debt owed by MLD to Orsu;
- $3,311,502 for the purchase of intercompany debt owed by MLD to Lero Gold Corp. (“Lero”, the intermediate holding company for the Karchiga Project);
- $230 for the 94.75% interest in MLD held by Eildon.
  (Together Orsu, Lero and Eildon are referred to as the “Sellers”).

The Company obtained shareholder approval for the Karchiga Transaction at its annual and special shareholder meeting held on June 23, 2016.

Subsequent to the period end the Company agreed to waive its right to deferred consideration in return for Karasat agreeing to remove the obligation for the Company to retain at least $2 million of the proceeds in liquid assets (see “Subsequent event” note 14).

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

Conditional sale of Kogodai Project

In a separate agreement to the Karchiga Transaction, the Company conditionally entered the Kogodai Transaction to sell its effective 51% interest in the Kogodai Project to Karasat for $10,000 through the sale of the Company's 63.75% interest in Harssin.

The Kogodai Transaction was conditional upon the Company obtaining the formal consent to the change in ownership from the MID which is required under Kazakh law, which was obtained in August 2016. The Kogodai Transaction is not conditional on the completion of the Karchiga Transaction.

A summary of the key features of the Kogodai Project are set out below:

1) The exploration license was granted for exploration during a period of 5 years, ending in 2019, which can be further extended per the legislation of Kazakhstan;
2) The minimum funding obligation for exploration work at the Kogodai Project is in total $3.75 million over a period of five years commencing from date of grant of the exploration license:
    i. $525,100 for the first year;
    ii. $803,900 for the second year,
    iii. $1,258,100 for the third year,
    iv. $914,000 for the fourth year, and
    v. $253,000 in the fifth year.

In relation to the minimum funding obligation, this may be modified dependent on the geological results received and planned work for the exploration programme. The financing of the minimum funding obligation is discretionary. For the nine months ended September 30, 2016 the Company maintained the Kogodai Project on a care and maintenance basis and incurred minimal exploration expenditure. As at September 30, 2016 the Company considers the Kogodai licenses to remain in good standing and not at risk of default.

Net assets and losses of disposal group assets held for sale

The net losses pertaining to the disposal group included in the consolidated statement of net loss and comprehensive loss for the nine months ended September 30, 2016 and September 30, 2015 are shown below:

	2016 $	2015 $
Administration expenses	(274)	(388)
Foreign exchange gains/ (losses)	3	(345)
Kogodai exploration	(75)	(134)
Fair value adjustment	(464)	-
Loss on disposal group held for sale	(810)	(867)

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

The net assets of the disposal group as at September 30, 2016 are shown below:

	2016 $
Cash and cash equivalents	19
Prepayments	104
VAT	80
Property, plant and equipment	8,329
Fair value adjustment in period	(464)
	8,068
Accounts payable and accrued liabilities	(41)
Net assets of disposal group held for sale	8,027

5. Property, plant and equipment

Property, plant and equipment as at September 30, 2016 were:

	Karchiga Project development costs	Leasehold improvements	Vehicles	Other assets	Total
Cost	$	$	$	$	$
Cost brought forward - as at January 1, 2016	8,170	391	120	447	9,128
Additions	31	-	-	8	39
Retirements (note i)	-	(391)	-	(290)	(681)
Re-classification of assets held for sale (note ii)	(8,201)	-	(120)	(144)	(8,465)
Cost carried forward - as at September 30, 2016	-	-	-	21	21
Depreciation					
Accumulated depreciation - as at January 1, 2016	-	(391)	(71)	(379)	(841)
Depreciation for the period	-	-	(1)	(9)	(10)
Retirements (note i)	-	391	-	290	681
Re-classification of assets held for sale (see note ii)	-	-	72	82	154
Accumulated depreciation - as at September 30, 2016	-	-	-	(16)	(16)
Net book value as at December 31, 2015	8,170	-	49	68	8,287
Net book value as at September 30, 2016	-	-	-	5	5

Notes

i) Retirements
Following the end of the Company's lease at its former head office at Red Place, London, in February 2016, the Company retired assets in relation to these offices as at September 30, 2016.

ii) Karchiga and Kogodai Projects
The Company re-classified the net assets in relation to the Karchiga and Kogodai Projects to "Assets held for sale" during the period ended March 31, 2016 when the asset met the criteria for such classification (see note 4).

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

Property, plant and equipment for the year ended December 31, 2015 were:

	Karchiga Project development costs	Leasehold improvements	Vehicles	Other assets	Total
Cost	$	$	$	$	$
Cost brought forward - as at January 1, 2015	8,826	391	120	444	9,781
Additions	96	-	-	3	99
Impairment of development costs (note i)	(752)	-	-	-	(752)
Cost carried forward - as at December 31, 2015	8,170	391	120	447	9,128
Depreciation					
Accumulated depreciation - as at January 1, 2015	-	(315)	(66)	(364)	(745)
Depreciation for the year (note ii)	-	(76)	(5)	(15)	(96)
Accumulated depreciation - as at December 31, 2015	-	(391)	(71)	(379)	(841)
Net book value as at December 31, 2014	8,826	76	54	80	9,036
Net book value as at December 31, 2015	8,170	-	49	68	8,287

Note:

i) Karchiga Project

In March 2012, the Company successfully completed a technical feasibility and economic study for the Karchiga Project (the "Karchiga Definitive Feasibility Study Report"). Therefore, in accordance with IFRS, IAS 16 "*Property, Plant and Equipment*", the Company initially re-classified $4.4 million previously classified as a mineral property for the Karchiga Project from Exploration properties and thereafter the Company capitalized costs incurred which directly related to the construction of a mining and processing facility at the Karchiga Project. Under IAS 16 costs were capitalized during the development phase, defined as being from the date that an economic study is completed and the date the asset is deemed to be available for use and are those that can be directly attributable to bringing the asset to the condition necessary so that it can operate in the manner intended by the Company. Under IAS 16, these development costs are capitalized, as they meet the criteria for the capitalization for a qualifying asset.

A review was undertaken at each reporting date to determine whether there was any indication of a trigger that may have led to these assets suffering an impairment loss. Following this review new impairment triggers were identified following the sharp decline in copper prices during 2015, in addition to other indicators of impairment which existed at both December 31, 2015 and 2014, the market capitalization of the Company being below the value of net assets.

As part of its review, when such indicators exist, management conducted an impairment test, which compared the recoverable amount to the carrying value. Thus, management estimated the fair value for the Karchiga Project to be $8.1 million as at December 31, 2015, resulting in an impairment charge of $752,000 being recorded.

ii) Akdjol-Tokhtazan Project

The table of property, plant and equipment for the year ended December 31, 2015 excludes a depreciation charge of $1,000 in relation to the Akdjol-Tokhtazan Project.

6. Discontinued operation and disposal of the Akdjol-Tokhtazan Project

In September 2016, the Company completed the disposal of the Akdjol-Tokhtazan Project. The key terms of the sale and purchase agreement were:

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

a) An effective initial consideration of $0.56 million consisting of:
   - the nominal sum of $1, and
   - the Purchaser's assumption of the existing liabilities of OiK, estimated at $0.5 million.

b) In addition, an existing interest free intercompany loan, payable on demand, of approximately $4.19 million with OiK will remain in place and the purchasers may, within two years of the effective date of the sale and purchase agreement (i.e. on or before August 1, 2018), elect to:
   - purchase the loan for the sum of $2 million, or
   - cancel the loan upon the payment by the purchasers of the sum of $2 million, or
   - if the Purchasers do not elect either of such options, the loan will become repayable within three years from the commencement of production at an interest rate of LIBOR plus 5%.

c) Deferred consideration of $2 million will be payable by the purchasers from production revenues over the first two years of production at the Akdjol-Tokhtazan Project, at $250,000 per quarter from the commencement of production. The Company assessed that there was no recognised market for such deferred consideration and that there is significant uncertainty in relation to the future prospect of the Akdjol-Tokhtazan Project being developed into production and so no reliable estimate of fair value could be estimated. Thus, the Company has not recognised the deferred consideration as at September 30, 2016.

The net losses pertaining to the discontinued operation included in the consolidated statement of net loss and comprehensive loss for the nine months ended September 30, 2016 and 2015 are shown below:

	2016 $	2015 $
Administration expenses	(64)	(83)
Foreign exchange (loss)/ gain	(8)	7
Loss of discontinued operation	(72)	(76)

The net gain on disposal as at September, 2016 is as set below:

	$
Net liabilities disposed	559
Less disposal costs	(6)
Net gain on disposal	553

7. Other assets

A summary of the changes in the Company's other assets for the nine months ended September 30, 2016 and year ended December 31, 2015 is shown below:

	2016 $	2015 $
Balance – Beginning of period	88	832
Addition in the period	2	5
Impact of currency devaluation of Kazakh Tenge (notes i)	-	(491)
Present value adjustment (note ii)	-	(258)
Reclassification to Asset Held for Sale (note iii)	(80)	-
Balance – End of period	10	88

The Company's other asset balances previously consisted of VAT recoverable amounts incurred primarily in relation to exploration and development expenditures in Kazakhstan and for corporate expenditures at its U.K. head office which are recoverable in the local currency:

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

i) In relation to Kazakhstan the Company's VAT recoverable amounts were affected by a devaluation of the Kazakh Tenge because of a decision by the National Bank of Kazakhstan to no longer actively manage the exchange rate between the Kazakh Tenge and US dollar and which resulted in a currency loss of $491,000 in the year ended December 31, 2015.

ii) The VAT recoverable amounts in Kazakhstan included VAT expenditures which are expected to be recoverable against future VAT liabilities in the event of the Karchiga Project being constructed and moving into production. As at December 31, 2015 the Company measured the present value of the future VAT recoverable amounts in relation to the Karchiga Project and recorded a charge of $258,000.

iii) In April 2016, the Company entered the Karchiga Transaction and thus re-classified the assets and liabilities of the Karchiga Project to "Assets held for Sale" (see note 3).

8. Lease obligations

The Company's lease obligations, in total of $509,000 as at March 31, 2015, were in relation to its former head office at Red Place, London which consisted of:

a) A dilapidation provision of $120,000 in relation to the termination of the lease in February 2016 under the terms of which the Company was required to make reparations to the dilapidations to these offices before their return to the landlord, and

b) A provision for an onerous lease of $389,000 in relation to a sublease agreement, dated June 1, 2012, with Equus Petroleum plc ("Equus"), who were a related party to partially sub-let office space at these offices for a period up to February 2016. Under the terms of this sub-let agreement Equus vacated the premises effective January 31, 2015 and the Company was unable to secure alternative arrangements to cover the cost of the office premises.

In April 2016, the Company received £72,000 as a net refund of its deposit, after deducting an agreed final settlement in relation to the dilapidations of £68,000, and thus released the outstanding provision.

A summary of the changes in the Company's other liabilities during the nine months ended September 30, 2016 and year ended December 31, 2015 are set out below:

	2016 $	2015 $
Balance – Beginning of the period	171	-
Provision as at March 31, 2015	-	509
Increase in provision during period	-	8
Released during the period	(171)	(346)
Balance – End of the period	-	171

9. Share warrant liability

In July 2013, the Company completed a subscription with a wholly owned subsidiary of Gold Fields Limited ("Gold Fields" or collectively with certain of its subsidiaries, the "Gold Fields Group") for 25 million units of the Company (each a "Unit") at a price of CAD$0.40 per Unit for gross proceeds of CAD$10 million (the "Subscription"), with each Unit consisting of one common share of the Company (a "Common Share") and one half of one common share purchase warrant (each whole warrant, a "Warrant"), each Warrant being exercisable for a period of three years from the date of issue to acquire one Common Share at a price of CAD$0.50. Following the completion of the Subscription the Company received in cash the gross proceeds from the Subscription of CAD$10 million, $9.6 million, plus a further CAD$35,446 of accumulated interest. The Company subsequently accounted for the Warrants issued to Gold Fields as a derivative instrument. The Warrants expired on July 25, 2016.

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

A summary of the changes in the Company's share purchase warrants are set out below:

	Nine month ended September 30, 2016			Year ended December 31, 2015		
	Warrants Outstanding 000s'	Value Assigned $	Average exercise price CAD$	Warrants Outstanding 000s'	Value Assigned $	Average exercise price CAD$
Balance – Beginning of period	12,500	5	0.50	12,500	46	0.50
Fair value re-measurement	(12,500)	(5)		-	(41)	
Balance – End of the period	-	-		12,500	5	0.50

10. Shareholders' equity

a) Authorized and Issued Share capital

The Company is authorized to issue 100,000,000,000 common shares of no par value. As at December 31, 2015 the total issued share capital of the Company were 182,696,049 common shares. A summary of the Company's issued share capital is set out below:

	Nine months ended September 30, 2016		Year ended December 31, 2015	
	Number of shares 000's	Value $	Number of shares 000's	Value $
Balance – Beginning of period	182,696	382,576	182,696	382,576
Balance – End of period	182,696	382,576	182,696	382,576

b) Share Purchase Options

The Company maintains an incentive stock option plan (the "Plan") covering directors, officers, employees and consultants of the Company and its subsidiary companies. The exercise price of an option is determined by the Board of Directors based on the closing market price of the Company's shares on the trading day prior to the date of issue of the option. The Plan provides that options may be granted for a maximum period of ten years and the aggregate number of shares which may be issued and sold under the Plan may not exceed 10% of the issued and outstanding common shares from time to time, less options exercised since shareholder approval was last granted in respect of the Plan.

A summary of the changes in the Company's share purchase options are set out below:

	Nine months ended September 30, 2016			Year ended December 31, 2015		
	Options 000's	Value assigned $	Average exercise price CAD$	Options 000's	Value assigned $	Average exercise price CAD$
Balance – Beginning of the period	15,775	115	0.02	12,610	5,601	0.42
Options granted	-	-		15,700	100	
Options lapsed	(75)	(15)		(10,535)	(5,299)	
Options forfeited	-	-		(2,000)	(287)	
Balance – End of the period	15,700	100	0.02	15,775	115	0.02

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

Note:
i) On September 2, 2015, the Company granted 15,700,000 options to directors, employees and consultants of the Company for a period of five years at an exercise price of CAD$0.02 which vested immediately upon grant.

Information relating to share options outstanding at September 30, 2016 is as follows:

Exercise price CAD$	Number of options	Weighted average years to expire	Average exercise price CAD$	Number of exercisable options	Average exercise price CAD$
0.02	15,700,000	3.93	0.02	15,700,000	0.02

The fair values of the share options granted are based on the Black-Scholes option-pricing model using the following assumptions as at September 2, 2015:

Average exercise price	C$0.02
Dividend yield	Nil
Risk free interest rate	0.8985% -2.37%
Expected options life	4.18 years
Expected stock price volatility	140%

The expected stock price volatility is measured using the daily closing stock price, in CAD$, over a period equivalent to the vesting period of the stock options from the date of grant.

11. Related party transactions

(a) *Key management compensation*

Key management includes directors and officers. The salaries and other short term employee benefit compensation paid or payable to key management for employee services is shown below.

	Nine months ended September 2016 $	2015 $
Directors		
Dr Sergey V Kurzin	165	210
Dr Alexander Yakubchuk	158	192
Mr Mark Corra	18	30
Mr Massimo Carello	18	30
Mr David Rhodes	18	30
Mr Timothy Hanford (directorship ceased June 22, 2015)	-	14
	377	506
Senior officers		
Mr Kevin Denham	133	158
Mr Christopher Power (resigned effective April 30, 2015)	-	67
	133	225
Other key management personnel	83	92
Total	593	823

Note:
Key management compensation is denominated in currencies other than $ (principally in GBP Sterling) and the amounts are translated at the prevailing rate in accordance with the Company's policy for currency transactions. There have been no changes in the amounts paid to key management personnel

and the differences above arise entirely from movements in the relevant exchange rates (primarily GBP to $).

(b) *Equus*
The Company and Equus had a common director, Dr Sergey Kurzin, as at December 31, 2015. Dr Kurzin is Executive Chairman of Orsu was Non-Executive Chairman of Equus until his resignation from Equus effective February 18, 2016. Dr Kurzin' s roles at Orsu and Equus are considered to be key management for both companies as defined under IAS 24 *"Related Party Disclosures"*.

Up to January 31, 2015, the Company charged Equus for services relating to property rent, administration support, office service and future dilapidation expenses. As at September 30, 2016 the total receivable was $266,905 ($375,194 as at December 31, 2015). The amounts receivable from Equus accrue interest of 4% per annum, above the Barclays Base Rate, from the due date of payment until the date of payment. The charges for all the services provided to Equus, as well as the interest charged on overdue payments from Equus, are on normal commercial terms. In accordance with the Company policy for outstanding receivables of more than 12 months as at December 31, 2015 made a provision for the full amount outstanding. In August 2016, the Company agreed with Equus a repayment plan for the outstanding debt of £230,546 with £60,000 to be paid in the remainder of 2016 and the remaining amount to be settled in monthly installments by July 2017. Equus acknowledge the debt, and it is not in dispute, and during the nine months ended September 30, 2016 the Company received £25,000 from Equus (including £10,000 received prior to the agreement of the repayment plan) and a further £30,000 was received in October 2016 (including the instalment due for November 2016). The remainder of the change in the period is due to currency movements between GBP and $.

12. Commitments

The Company's commitments related to a lease obligation are for its previous London head office located at Red Place, London, for property rents (excluding service charges and property taxes), payable under a lease agreement which expired in February 2016. Thereafter, effective February 1, 2016 the Company relocated to temporary offices under a short term monthly rent agreement until June 1, 2016 and therefore had no further long term commitments at the period end.

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

13. Segment information

Operating segments are based on the reports reviewed by the board of directors that are used to make strategic decisions.

The segment information provided to the board for the reportable segments for the nine months ended September 30, 2016 is as follows:

	Mineral exploration and development (Kazakhstan) $	Mineral exploration and development (Kyrgyzstan) $	Mineral exploration and development (Russia) $	Corporate (UK) $	Total $
Administrative	-	-	-	(707)	(707)
Legal and professional	-	-	-	(182)	(182)
Exploration	-	-	(26)	-	(26)
Net foreign exchange losses	-	-	-	(30)	(30)
Loss from disposal group assets held for sale	(810)	-	-	-	(810)
Unrealized gain on share warrant liability	-	-	-	5	5
Net off finance (expenses) and income	-	-	-	(22)	(22)
Net loss from continuing operations	(810)	-	(26)	(936)	(1,772)
Net loss from discontinued operation	-	(72)	-	-	(72)
Net gain on disposal of discontinued operation	-	553	-	-	553
Net loss and comprehensive loss for period	(810)	481	(26)	(936)	(1,291)
Property, plant and equipment	7,865	-	-	5	7,870
Total assets	8,068	-	-	3,191	11,259
Capital expenditure	52	-	-	6	58

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

The segment information for the nine months ended September 30, 2015 is as follows:

	Mineral exploration and development (Kazakhstan) $	Mineral exploration and development (Kyrgyzstan) $	Corporate (UK) $	Total $
Administrative	-	-	(1,264)	(1,264)
Legal and professional	-	-	(326)	(326)
Stock based compensation	-	-	(100)	(100)
Net foreign exchange losses	-	-	(15)	(15)
Loss from disposal group assets held for sale	(867)	-	-	(867)
Unrealized gain on share warrant liability	-	-	36	36
Net off finance income and (expense)	-	-	58	58
Net loss from continuing operations	(867)	-	(1,611)	(2,478)
Net loss from discontinued operation	-	(148)	-	(148)
Net loss and comprehensive loss for period	(867)	(148)	(1,611)	(2,626)
Property, plant and equipment	9,008	-	13	9,021
Total assets	9,906	4,472	5,744	20,122
Capital expenditure	66	-	2	68

The amounts provided to the board with respect to total assets are measured in a manner consistent with that of the financial statements.

14. Subsequent event

a) In November 2016, the Company announced that the long stop date for the Karchiga Transaction by which the Company and Karasat would be required to obtain all the necessary approvals and consents in Kazakhstan had been extended to January 31, 2017 (previously October 11, 2016) by mutual agreement. In addition, both Orsu and Karasat agreed to amendments to the terms of the Karchiga Transaction by which Orsu would no longer be entitled to any deferred consideration and in return Orsu would no longer be required to maintain at least $2 million of the proceeds in liquid assets in relation to the tax indemnity, so releasing the Company from the restriction on use of a substantial portion of the proceeds.