Orsu Metals Corporation

Consolidated Financial Statements (Unaudited)

June 30, 2016 and 2015

(In thousands of US dollars)

Orsu Metals Corporation

Consolidated Balance Sheets
(in thousands of US dollars)

	June 31 2016 $	December 31 2015 $
Assets		
Current assets		
Cash and cash equivalents	3,702	4,697
Prepaid expenses and receivables	137	238
Assets of disposal group held for sale (note 3)	8,450	-
	12,289	4,935
Non-current assets		
Property, plant and equipment (note 4)	6	8,287
Other assets (note 6)	7	88
	13	8,375
Total assets	12,302	13,310
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	311	436
Liabilities of disposal group held for sale (note 3)	38	-
Liabilities of discontinued operation (note 5)	534	475
Lease obligations (note 7)	-	171
Share warrant liability (note 8)	-	5
	883	1,087
Equity		
Share capital (note 9a)	382,576	382,576
Share purchase options (note 9b)	100	115
Contributed surplus	34,161	34,146
Non-controlling interest	(770)	(727)
Deficit	(404,648)	(403,887)
	11,419	12,223
Total equity and liabilities	12,302	13,310

Commitments (note 11)
Subsequent events (note 13)

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 June 30, 2016 $	Three months ended June 30, 2015 $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $
Operating expenses				
Administration	(160)	(185)	(333)	(780)
Legal and professional	(39)	(173)	(141)	(211)
Foreign exchange losses	9	(6)	(20)	(6)
Loss from disposal group assets held for sale (note 3)	(114)	(237)	(225)	(398)
	(304)	(601)	(719)	(1,395)
Unrealized gain on share warrant liability (note 8)	2	2	5	40
Net of finance (expense) less finance income	(32)	52	(27)	44
	(30)	54	(22)	84
Net loss and comprehensive loss for the period from continuing operations	(334)	(547)	(748)	(1,311)
Loss from discontinued operation (note 5)	(33)	(18)	(63)	(76)
Net loss and comprehensive loss for the period	**(367)**	**(565)**	**(804)**	**(1,387)**
Net loss attributable to owners of the parent:				
Loss from continuing operations	(310)	(506)	(705)	(1,232)
Loss from discontinued operations	(33)	(18)	(56)	(76)
Loss and comprehensive loss for the period attributable to the parent	(343)	(524)	(761)	(1,308)
Net loss attributable to non-controlling interests:				
Loss from continuing operations	(24)	(41)	(43)	(79)
Loss from discontinued operations	-	-	-	-
Loss and comprehensive loss for the period attributable to non-controlling interests	(24)	(41)	(43)	(79)
Loss per share (US dollar per share) from continuing operations:				
Basic	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Diluted	$(0.00)	$(0.00)	$(0.00)	$(0.00)
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)

	Six months ended June 30, 2016 $	2015 $
Cash flows used by operating activities		
Net loss and comprehensive loss for the period	(804)	(1,387)
Items not affecting cash:		
Depreciation (note 4)	7	63
Unrealized exchange (gains)/ losses on cash and cash equivalent balances	28	-
Onerous provision release (note 7)	(171)	(141)
Unrealized derivative gain on share warrant liability (note 8)	(5)	(40)
Foreign exchange losses	25	30
	(920)	(1,475)
Changes in non-cash working capital:		
Accounts receivable and other assets	29	20
Accounts payable and accrued liabilities	(24)	132
Net cash used by operating activities	(915)	(1,323)
Cash flows used by investing activities		
Expenditures on property, plant and equipment (note 4)	(37)	(47)
Net decrease in cash and cash equivalents in the period	**(952)**	**(1,370)**
Cash and cash equivalents - Beginning of the period	4,697	7,607
Exchange (losses)/ gains on cash and cash equivalents	(28)	39
Cash and cash equivalents - End of the period	3,717	6,276
Cash and cash equivalents per the consolidated balance sheets	**3,702**	**6,275**
Included in the assets held for sale (note 3)	15	1

Orsu Metals Corporation

Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of US dollars)

Consolidated statements of changes to equity as at June 30, 2016 and June 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 forfeited or lapsed	-	-	(1,841)	1,841	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(79)	(1,308)	(1,387)
Balance as at June 30, 2015	182,696	382,576	3,760	30,401	(648)	(396,393)	19,696
Balance as at January 1, 2016	182,696	382,576	115	34,146	(727)	(403,887)	12,223
Share options forfeited or lapsed (note 9b)	-	-	(15)	15	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(43)	(761)	(804)
Balance as at June 30, 2016	182,696	**382,576**	**100**	**34,161**	**(770)**	**(404,648)**	**11,419**

(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 was also previously listed on the Alternative Investment Market ("AIM"), in London, but de-listed from AIM effective May 11, 2016. The Company currently holds exploration licenses in the Republic of Kazakhstan (or "Kazakhstan") and within the Kyrgyz Republic (or "Kyrgyzstan") and to date the Company had focused on the acquisition and development of exploration licenses in Kazakhstan and continues to seek to sell its exploration project in Kyrgyzstan. The Company is now seeking to dispose of its exploration and development projects in Kazakhstan and to utilise the sale proceeds to identify new metal exploration opportunities within the Former Soviet Union ("FSU").

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 sale of Karchiga and Kogodai Projects in Kazakhstan
In April 2016 the Company entered into 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. As a result, the Company entered into an agreement to sell its 94.75% interest in MLD to Karasat for an initial $7.75 million, plus deferred consideration of up to $2 million based on the future recovery of Value Added Tax ("VAT") and accumulated losses of MLD (the "Karchiga Transaction") subject to various conditions (set out in note 3).

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 3).

b) Akdjol-Tokhtazan Project
The Company's exploration interest in Kyrgyzstan is through 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"). The exploration license area for the Akdjol-Tokhtazan Project is located 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 5). Subsequent to the period end, in August 2016, the Company entered into an agreement to sell the Akdjol-Tokhtazan Project (see Note 13 "Subsequent events").

These interim unaudited consolidated financial statements were authorized by the Board of Directors on August 3, 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 with the exception of the following:

- The Company has classified the assets and liabilities, measured at fair value less costs to sell, on the balance sheet as at June 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 six months ended June 30, 2016 and June 30, 2015 (see note 3 below).

3. Assets held for sale

Conditional sale of Karchiga Project
In April 2016, the Company entered into 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) The Company obtaining the formal consent to the change in ownership from the Ministry of Industry and Development (the "MID", the relevant Kazakh authority) which is required under Kazakh law (the "Consent");

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.

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

b) A longstop date of October 11, 2016, 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 extended by the mutual agreement of the parties.

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

d) 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.

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

Upon the completion of the conditions set out above, the sale consideration for the Karchiga Transaction is:

a) An initial consideration of $7.75 million (less a non-refundable deposit of $100,000 received in May 2016 from Karasat following the signing of the Karchiga Transaction) payable on completion of the conditions set out above. Upon receipt of the initial 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”).
b) Deferred consideration of up to $2 million based on 67% of relief obtained for corporate tax losses or recovery of VAT accumulated to the completion date by MLD.

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

Conditional sale of Kogodai Project
In a separate agreement to the Karchiga Transaction, the Company conditionally entered into 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 is conditional upon the Company obtaining the formal consent to the change in ownership from the MID which is required under Kazakh law. The Kogodai Transaction is not interconditional 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 according to 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 considered to be discretionary. For the six months ended June 30, 2016 the Company maintained the Kogodai Project on a care and maintenance basis and incurred minimal exploration expenditure. As at June 30, 2016 the Company considers the Kogodai licenses to remain in good standing and not at risk of default.

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

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 six months ended June 30, 2016 and June 30, 2015 are shown below:

	2016 $	2015 $
Administration expenses	(166)	(287)
Foreign exchange losses	(5)	(31)
Exploration	(54)	(80)
Loss on disposal group held for sale	(225)	(398)

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

	2016 $
Cash and cash equivalents	15
Prepayments	48
VAT	76
Property, plant and equipment	8,311
	8,450
Accounts payable and accrued liabilities	(38)
Net assets of disposal group held for sale	8,412

4. Property, plant and equipment

Property, plant and equipment as at June 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	-	-	6	37
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 June 30, 2016	-	-	-	19	19
Depreciation					
Accumulated depreciation - as at January 1, 2016	-	(391)	(71)	(379)	(841)
Depreciation for the period	-	-	(1)	(6)	(7)
Retirements (note i)	-	391	-	290	681
Re-classification of assets held for sale (see note ii)	-	-	72	82	154
Accumulated depreciation - as at June 30, 2016	-	-	-	(13)	(13)
Net book value as at December 31, 2015	8,170	-	49	68	8,287
Net book value as at June 30, 2016	-	-	-	6	6`

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

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 June 30, 2016.

ii) Karchiga and Kogodai Projects
As at June 30, 2016 the Company re-classified the net assets in relation to the Karchiga and Kogodai Projects to "Assets held for sale" (see note 3).

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 for it to be capable of operating 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, in particular 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. As a result, 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.

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

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.

5. Discontinued operation

Since 2012, the Company entered into a number of exclusivity agreements with David-Invest LLP ("David-Invest"), a Kyrgyz registered company, and a related company David Way Limited, a Hong Kong registered company (together the "Potential Buyers") for the potential sale of the Akdjol-Tokhtazan Project. The last of these agreements was in April 2015 when the Company entered into an exclusivity agreement with the Potential Buyers for a potential sale of the Akdjol-Tokhtazan Project for a total gross consideration of $5 million less a $0.4 million non-refundable deposit received in 2014 from the Potential Buyers. The exclusivity agreement with the Potential Buyers expired in December 2015 and the Company has not to date been able to complete a sale of the project to the Potential Buyers or any other parties.

As at December 31, 2015 the Company concluded that it was no longer appropriate to consider a potential sale as highly probable and as result decided to suspend operations at the Akdjol-Tokhtazan Project. In addition, the Company considered the reliability of estimates of fair value of the Akdjol-Tokhtazan Project and concluded that in the absence of any current offers an impairment charge against the carrying net asset value of the Akdjol-Tokhtazan Project of $4.4 million should be recorded as at December 31, 2015.

In addition, during the term of the exclusivity agreement with the Potential Buyers all expenditures at the Akdjol-Tokhtazan Project were to be funded by the Potential Buyers. This included the Potential Buyers paying for the extension to the licence, but excluded payment of all liabilities incurred. At the expiry of the exclusivity agreement with the Potential Buyers as at December 31, 2015 there remained outstanding administration, tax, local staff salary and exploration liabilities for which the Company has recognised a total of $0.5 million for the year ended December 31, 2015. For the six months ended June 30, 2016 the Company accrued a further $59,000 for these unsettled liabilities. Due to the Potential Buyers paying to extend the licence at the date the exclusivity agreement expired, judgement is required in assessing if the Company will ultimately settle these liabilities.

Subsequent to the period end the Company entered into an agreement to sell the Akdjol-Tokhtazan Project (see Note 13 "Subsequent events").

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

	2016 $	2015 $
Administration expenses	(63)	(83)
Foreign exchange gain	-	7
Loss of discontinued operation	(63)	(76)

The net liabilities of the discontinued operation as at June 30, 2016 and December 31, 2015 are shown below:

	2016 $	2015 $
Accounts payable and accrued liabilities	(534)	(475)

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

6. Other assets

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

	2016 $	2015 $
Balance – Beginning of period	88	832
Addition/ (decrease) in the period	(13)	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)	(68)	-
Balance – End of period	7	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:

i) In relation to Kazakhstan the Company's VAT recoverable amounts were affected by a devaluation of the Kazakh Tenge as a result 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 into the Karchiga Transaction and as a result re-classified the assets and liabilities of the Karchiga Project to "Assets held for Sale" (see note 3).

7. 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 as a result released the outstanding provision.

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

A summary of the changes in the Company's other liabilities during the six months ended June 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

8. 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.

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

	Six month ended June 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	-	(5)		-	(41)	
Balance – End of the period	12,500	-	0.50	12,500	5	0.50

A summary of the Warrants outstanding as at June 30, 2016 is set out below:

Exercise Price CAD$	Expiry date	Number 000's	Value $
0.50	July 25, 2016	12,500	-

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

The Company measured the fair value of the Warrants issued to Gold Fields based on the Black-Scholes option-pricing model using the following assumptions as at June 30, 2016 and as at December 31, 2015:

	June 30, 2016	December 31, 2015
Stock price	CAD$0.015	CAD$0.02
Exchange rate CAD$/ US$	1.2991	1.389
Risk free interest rate	0.4504%	0.474%
Expected warrant life	0.07 years	0.57 years
Volatility (assuming a dividend yield of nil)	135.53%	190.67%

9. 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:

	Six months ended June 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 on the basis of 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:

	Six months ended June 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 June 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	4.18	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:

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.

10. 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.

	Six months ended June 30, 2016 $	2015 $
Directors		
Dr Sergey V Kurzin	113	124
Dr Alexander Yakubchuk	108	116
Mr Mark Corra	13	14
Mr Massimo Carello	13	14
Mr David Rhodes	13	14
Mr Timothy Hanford (directorship ceased June 22, 2015)	-	14
	260	296
Senior officers		
Mr Kevin Denham	91	97
Mr Christopher Power (resigned effective April 30, 2015)	-	67
	91	164
Other key management personnel	69	84
Total	420	544

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

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

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 which roles are considered to be key management for both companies as defined under IAS 24 *"Related Party Disclosures"*. Dr Kurzin resigned as Non-Executive Chairman of Equus effective February 18, 2016.

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 June 30, 2016 the total receivable was $327,095 ($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 considered to be 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. Equus acknowledge the debt, and it is not in dispute, and during the six months ended June 30, 2016 the Company received £10,000 from Equus. The Company is actively pursuing the debt and is taking steps to recover the debt in full. The remainder of the change in the period is due to currency movements between GBP and $.

11. 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)

12. 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 six months ended June 30, 2016 is as follows:

	Mineral exploration and development (Kazakhstan) $	**Mineral exploration and development (Kyrgyzstan) $**	**Corporate (UK) $**	**Total $**
Administrative	-	-	(333)	(333)
Legal and professional	-	-	(141)	(141)
Net foreign exchange losses	-	-	(20)	(20)
Loss from disposal group assets held for sale	(225)	-	-	(225)
Unrealized gain on share warrant liability	-	-	5	5
Net off finance(expenses) and income	-	-	(27)	(27)
Net loss from continuing operations	(225)	-	(516)	(741)
Net loss from discontinued operation	-	(63)	-	(63)
Net loss and comprehensive loss for period	(225)	(63)	(516)	(804)
Property, plant and equipment	8,450	-	6	8,456
Total assets	8,450	-	3,852	12,302
Capital expenditure	31	-	6	37

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

The segment information for the six months ended June 30, 2015 is as follows:

	Mineral exploration and development (Kazakhstan) $	Mineral exploration and development (Kyrgyzstan) $	Corporate (UK) $	Total $
Administrative	-	-	(780)	(780)
Legal and professional	-	-	(211)	(211)
Net foreign exchange losses	-	-	(6)	(6)
Loss from disposal group assets held for sale	(398)	-	-	(398)
Unrealized gain on share warrant liability	-	-	40	40
Net off finance income and (expense)	-	-	44	44
Net loss from continuing operations	(398)	-	(913)	(1,311)
Net loss from discontinued operation	-	(76)	-	(76)
Net loss and comprehensive loss for period	(398)	(76)	(913)	(1,387)
Property, plant and equipment	8,990	-	31	9,021
Total assets	10,211	4,473	6,505	21,189
Capital expenditure	53	-	2	55

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

13. Subsequent events

Subsequent to the period end, in August 2016 the Company announced that its wholly owned subsidiary, Lero, had entered into an agreement with three arm's length individuals to sell its effective 100% interest in the Akdjol-Tokhtazan Project through the sale of its interest in Tournon which owns a 100% of OiK (owner of the Akdjol-Tokhtazan Project). The effective initial consideration is approximately $534,000 comprising the liabilities of OiK (as at June 30, 2016) to be assumed by the purchasers. In addition, the agreement:

a) grants the purchasers the option to purchase the inter-company loan between of approximately $4.2 million between Lero and OIK for $2 million on or before August 1, 2018, or the loan will become repayable over the first three years of production at an interest rate of LIBOR plus 5%, and

b) the purchasers will pay Lero (or its successors in any assignment) the sum of $2 million in equal instalments of $250,000 each over the first two years of production.

The Company has not yet assessed the fair value of the additional consideration, which will be reflected in the financial statements for the period ending September 30, 2016.