CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2017

(Unaudited – Expressed in thousands of US dollars)

Notice to Reader

These condensed consolidated interim financial statements of Orsu Metals Corporation have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to the financial statements or the related quarterly Management Discussion and Analysis.

ORSU METALS CORPORATION

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in thousands of US dollars)

	Note		September 30, 2017		December 31, 2016
ASSETS					
Current					
Cash	*4*	$	687	$	2,350
Receivables and prepaid expenses	*5*		115		75
Assets held for sale	*6*		5,936		8,215
			6,738		10,640
Exploration and evaluation assets	*7*		3,212		-
Property, plant and equipment	*8*		80		4
		$	10,030	$	10,644
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Trade and other payables	*9*	$	144	$	229
Promissory notes	*10*		180		-
Liabilities held for sale	*6*		28		36
			352		265
Shareholders' equity					
Share capital	*11*		385,808		382,576
Obligation to issue shares	*11*		43		-
Reserves	*11*		34,573		34,261
Non-controlling interest			(826)		(823)
Deficit			(409,920)		(405,635)
			9,678		10,379
		$	10,030	$	10,644
Nature of operations	*1*				
Subsequent events	*15*				

These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Board of Directors on November 22, 2017.

They are signed on the Company's behalf by:

"Mark Corra" — Mark Corra, Director

"Sergei Stefanovich" — Sergei Stefanovich, Director

ORSU METALS CORPORATION

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in thousands of US dollars)

	Note	Three months ended Septembmer 30, 2017	Three months ended Septembmer 30, 2016	Nine months ended Septembmer 30, 2017	Nine months ended Septembmer 30, 2016
EXPENSES					
Administration		$ 97	$ 117	$ 223	$ 220
Depreciation		-	4	4	11
Exploration and evaluation expenditures	*7*	399	-	488	-
Foreign exchange		16	10	52	30
Professional fees		63	32	189	112
Project investigation costs	*7*	-	-	333	-
Salaries and benefits		132	197	402	616
Share-based compensation	*11*	369	-	369	-
Transfer agent and regulatory fees		28	9	88	70
		(1,104)	(369)	(2,148)	(1,059)
OTHER INCOME (EXPENSES)					
Gain on amounts received from Equus	*12*	74	-	221	-
Gain on disposal of assets held for sale	*6*	-	-	12	-
Gain on share warrant liability		-	-	-	5
Interest expense	*10*	(3)	-	(5)	-
Interest income		1	3	5	5
Interest income from Equus	*12*	1	-	4	-
Impairment of assets held for sale	*6*	(2,262)	(464)	(2,262)	(464)
Loss from assets held for sale	*6*	(23)	(121)	(115)	(346)
Onerous provision release		-	-	-	171
		(2,212)	(582)	(2,140)	(629)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(3,316)	(951)	(4,288)	(1,688)
DISCONTINUED OPERATION					
Loss from discontinued operation		-	(9)	-	(72)
Gain on disposal of discontinued operation		-	469	-	469
GAIN FOR THE PERIOD FROM DISCONTINUED OPERATION		-	460	-	397
COMPREHENSIVE LOSS FOR THE PERIOD		$ (3,316)	$ (491)	$ (4,288)	$ (1,291)
NET LOSS ATTRIBUTABLE TO ORSU SHAREHOLDERS					
Loss from continuing operations		$ (3,316)	$ (927)	$ (4,285)	$ (1,625)
Loss from discontinued operation		-	460	-	397
		$ (3,316)	$ (467)	$ (4,285)	$ (1,228)
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST					
Loss from continuing operations		$ -	$ (20)	$ (3)	$ (63)
Loss from discontinued operation		-	-	-	-
		$ -	$ (20)	$ (3)	$ (63)
Basic and diluted loss per common share from continuing operations		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Basic and diluted gain per common share from discontinued operation		$ -	$ 0.03	$ -	$ 0.02
Weighted average number of common shares outstanding		35,718,682	18,269,530	27,174,239	18,269,530

The accompanying notes form an integral part of these condensed consolidated interim financial statements

ORSU METALS CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in thousands of US dollars)

	Nine months ended Septembmer	
	2017	**2016**
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	$ (4,288)	$ (1,291)
Less:		
Loss from discontinued operation	-	72
Gain on disposal of discontinued operation	-	(469)
Loss for the period from continuing operations	(4,288)	(1,688)
Items not affecting cash:		
Depreciation	4	11
Share-based compensation	369	-
Gain on disposal of assets held for sale	(12)	-
Obligation to issue shares	43	-
Impairment of assets held for sale	2,262	464
Accrued interest expense	5	-
Onerous provision release	-	(171)
Gain on share warrant liability	-	(5)
Change in non-cash working capital items:		
Receivables and prepaid expenses	(25)	83
Other assets	-	(2)
Trade and other payables	(196)	(115)
	(1,838)	(1,423)
INVESTING ACTIVITIES:		
Property, plant and equipment	-	(58)
Sergeevskoe acquisition costs, net of cash received	34	-
Cash received on disposal of assets held for sale	10	-
	44	(58)
FINANCING ACTIVITIES:		
Exercise of options	133	-
	133	-
DECREASE IN CASH FOR THE PERIOD	(1,661)	(1,481)
CASH, BEGINNING OF THE PERIOD	2,350	4,697
CASH USED FOR DISCONTINUED OPERATION	-	(72)
CASH, HELD FOR SALE	(2)	(19)
CASH, END OF THE PERIOD	$ 687	$ 3,125
Non-cash investing and financing activities		
Share issued for acquisition of Sergeevskoe	$ 3,042	$ -
Allocation of reserves on exercise of options	57	-
Supplemental cash flow information		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

The accompanying notes form an integral part of these condensed consolidated interim financial statements

ORSU METALS CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited – Expressed in thousands of US dollars)

	Number of shares		Share capital		Obligation to issue shares		Reserves		Non-controlling interest		Deficit		Shareholders' equity
Balance, December 31, 2015	18,269,530	$	382,576	$	-	$	34,261	$	(727)	$	(403,887)	$	12,223
Comprehensive loss for the period	-		-		-		-		(63)		(1,228)		(1,291)
Balance, September 30, 2016	18,269,530	$	382,576	$	-	$	34,261	$	(790)	$	(405,115)	$	10,932

	Number of shares		Share capital		Obligation to issue shares		Reserves		Non-controlling interest		Deficit		Shareholders' equity
Balance, December 31, 2016	18,269,530	$	382,576	$	-	$	34,261	$	(823)	$	(405,635)	$	10,379
Exercise of options	890,000		190		-		(57)		-		-		133
Acquisition of Sergeevskoe	16,559,152		3,042		-		-		-		-		3,042
Obligation to issue shares	-		-		43		-		-		-		43
Share-based compensation	-		-		-		369		-		-		369
Comprehensive loss for the period	-		-		-		-		(3)		(4,285)		(4,288)
Balance, September 30, 2017	35,718,682	$	385,808	$	43	$	34,573	$	(826)	$	(409,920)	$	9,678

The accompanying notes form an integral part of these condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Orsu Metals Corporation ("Orsu" or the "Company") is a publicly-traded company incorporated in the British Virgin Islands. The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol OSU. Prior to February 1, 2017, the Company's shares traded on the Toronto Stock Exchange under the same symbol. The corporate office of the Company is located at Unit 1 - 15782 Marine Drive, White Rock, B.C., Canada, V4B 1E6.

Effective September 15, 2017, the Company consolidated its shares on a 10 old for 1 new basis. All share and per share amounts in these condensed consolidated interim financial statements have been retroactively restated to reflect the consolidation.

The Company is engaged in the exploration and, if warranted, development of a mineral resource project in eastern Russia. The Company is considered to be in the exploration stage as it has not placed any of its exploration and evaluation assets into production nor has it generated any revenues from operations.

In May 2017, the Company completed the acquisition of an initial 30% interest in the Sergeevskoe gold project located in eastern Russia (Note 7). In November 2017, the Company agreed to acquire a further 60% interest for a total of 90%. The 60% acquisition is subject to TSX-V approval and completion of a definitive agreement (Note 15).

In October 2017, the Company sold its 94.75% interest in the Karchiga project located in Kazakhstan for net proceeds of $5,908,000 (Note 15).

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at September 30, 2017, the Company had working capital of $478,000. Subsequent to September 30, 2017, the Company sold its Karchiga project for net proceeds of $5,908,000 (Note 15). Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned exploration and operations through the next twelve months.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

These condensed consolidated interim financial statements do not include all of the disclosures required for annual financial statements, and therefore should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016.

2. BASIS OF PRESENTATION (continued)

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in United States ("US") dollars, which is the parent company's functional currency as well as the functional currency of the Company's subsidiaries.

Use of accounting estimates, judgments and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

<u>Recovery of deferred tax assets</u>

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions (continued)

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of the parent company as well as the functional currency of the Company's subsidiaries is the US dollar.

Classification of assets held for sale

The Company classified the assets and liabilities of the Karchiga Project as "Assets held for sale" and "Liabilities held for sale" on the statements of financial position as at September 30, 2017 and December 31, 2016 and reported the related loss as "Loss from assets held for sale" in the consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2017 and 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended December 31, 2016.

Principles of consolidation

Name of subsidiary	Place of incorporation	Ownership interest at September 30, 2017	Principal activity
Sibzoloto Investments Limited (2)	Cyprus	30%	Holding company
LLC GK Alexandrovskoe (2)	Russia	30%	Mineral exploration company
LLC Invest Realty (2) (5)	Russia	30%	Mineral exploration company
Lero Gold Corp.	Canada	100%	Holding company
Eildon Enterprises Limited	BVI	100%	Holding company
GRK MLD LLP (4)	Kazakhstan	94.75%	Mineral exploration company
European Minerals (UK) Limited (3)	UK	0%	Dormant
Harssin Management B.V. (1)	Netherlands	0%	Dormant holding company
Orsu Metals Kazakhstan (1)	Kazakhstan	0%	Dormant holding company
Kogodai LLP (1)	Kazakhstan	0%	Dormant mineral exploration company

(1) sold in March 2017 (Note 7)
(2) acquired in May 2017 (Note 7)
(3) dissolved in September 2017
(4) sold in October 2017 (Note 6)
(5) merged with Alexandrovskoe in November 2017

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective

Several new standards, amendments to standards and interpretations are not yet effective as of September 30, 2017, and have not been applied in preparing these consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2018:

- New standard IFRS 9, Financial Instruments

  IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

Effective for annual periods beginning on or after January 1, 2019:

- New standard IFRS 16, Leases

  All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize assets and liabilities. A lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

The Company has not early adopted these new standards and none of these standards are expected to have a material effect on the consolidated financial statements.

4. CASH

	September 30, 2017	December 31, 2016
US dollar denominated deposits held in Canada	$ 412	$ 2,000
Canadian dollar denominated deposits held in Canada	71	22
US dollar denominated deposits held in Russia	188	-
Ruble denominated deposits held in Russia	4	-
US dollar denominated deposits held in the UK	-	232
Canadian dollar denominated deposits held in the UK	-	60
GBP denominated deposits held in the UK	12	35
GBP denominated deposits held in the Netherlands	-	1
Total	$ 687	$ 2,350

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

5. RECEIVABLES AND PREPAID EXPENSES

	September 30, 2017	December 31, 2016
Receivables	$ 86	$ 47
Prepaid expenses	29	28
Total	$ 115	$ 75

6. ASSETS HELD FOR SALE

Included in assets and liabilities held for sale as at September 30, 2017 and December 31, 2016 are the assets and liabilities of the Karchiga Project located in Kazakhstan. As at December 31, 2016, assets and liabilities held for sale also included the Kogodai Project, located in Kazakhstan:

	September 30, 2017	December 31, 2016
Cash	$ 2	$ 13
Receivables and prepaid expenses	19	21
Property, plant and equipment	5,915	8,181
Assets held for sale	5,936	8,215
Trade and other payables	(28)	(36)
Liabilities held for sale	(28)	(36)
Net assets held for sale	$ 5,908	$ 8,179

As at September 30, 2017, the Karchiga Project includes assets of $5,915,000 (December 31, 2016 – $8,198,000) and liabilities of $28,000 (December 31, 2016 – $17,000) while the Kogodai Project includes assets of $Nil (December 31, 2016 – $17,000) and liabilities of $Nil (December 31, 2016 – $19,000).

Karchiga Project, Kazakhstan

Prior to acquiring the Sergeevskoe project in Russia (Note 7), the Company's principal and most advanced project was the Karchiga project located in eastern Kazakhstan.

As at September 30, 2017, the Company held a 94.75% interest in the project through its 100% interest in Lero Gold Corp. which in turn held 100% of Eildon Enterprises Limited, the immediate parent of GRK MLD LLP ("MLD") and the holder of the exploration licence for the Karchiga exploration property.

In October 2017, the Company completed the sale of its 94.75% interest in MLD for net proceeds of $5,908,000 (Note 15). Accordingly, the Company recorded an impairment of assets held for sale of $2,262,000 for the nine months ended September 30, 2107.

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

6. ASSETS HELD FOR SALE (continued)

Karchiga Project, Kazakhstan (continued)

The losses pertaining to the assets held for sale included in the consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2017 and 2016 are shown below:

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Administration expenses	$ 20	$ 108	$ 100	$ 274
Exploration and evaluation expenditures	-	21	-	75
Foreign exchange	3	(8)	15	(3)
Loss from assets held for sale	$ (23)	$ (121)	$ (115)	$ (346)

Kogodai Project, Kazakhstan

The Company held an exploration licence for a prospect 70 km northwest of the Karchiga Project (the “Kogodai Project”). The Company held an effective 51% interest in the Kogodai Project through its 63.75% owned subsidiary, Harssin Management B.V. (“Harssin”), which in turn holds a 100% interest in Orsu Metals Kazakhstan, which has a majority 80% interest in Kogodai JV LLP.

In March 2017, the Company completed the sale of Harssin for $10,000 and recorded a gain on disposal of assets held for sale of $12,000 as follows:

Consideration received	
Cash	$ 10
	$ 10

Net assets disposed	
Cash	$ 9
Receivables and prepaid expenses	5
Equipment	3
Trade and other payables	(19)
	$ (2)
Gain on disposal of assets held for sale	$ 12

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

7. EXPLORATION AND EVALUATION ASSETS

Components of the Company's exploration and evaluation assets located in Russia are summarized below:

		Sergeevskoe Project
December 31, 2016	$	-
Acquisition of Sergeevskoe Project		3,212
September 30, 2017	$	3,212

The Sergeevskoe project is owned by Sibzoloto Investments Limited ("Sibzoloto"), a Cyprus registered company, which in turn is the sole owner of both LLC GK Alexandrovskoe, holder of the Sergeevskoe licence, and LLC Invest Realty, the owner of a work camp and infrastructure to support the nearby Sergeevskoe project. The shares of Sibzoloto were owned by four arm's length parties (the "Sellers").

In September 2016, the Company entered into an exclusive and binding heads of agreement which was superseded by a share purchase agreement ("SPA") in January 2017, as amended, for the acquisition of the Sergeevskoe gold project located in eastern Russia.

On May 18, 2017, the Company completed the acquisition of an initial 30% interest in Sibzoloto through the issue to the Sellers of 16,559,152 common shares of the Company at a value of $3,042,000 and the issue to the Sellers of a promissory note for $100,000 bearing interest at a rate of 8% per annum with payment due on the sale of the Karchiga Project (Note 10).

Consideration given up		
Shares issued	$	3,042
Promissory note		100
Transaction costs		7
Total	$	3,149

Net assets received		
Cash	$	41
Receivables and prepaid expenses		13
Property, plant and equipment		80
Exploration and evaluation assets		3,212
Trade and other payables		(117)
Promissory note		(80)
Total	$	3,149

IFRS requires that a determination is made as to whether an acquisition is a business combination by applying the definitions contained in IFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. Management has determined that this acquisition does not constitute the acquisition of a business, therefore, has treated it as an acquisition of a group of assets.

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Orsu has agreed to fund a $1,500,000 exploration program on the Sergeevskoe Project before May 18, 2018. Prior to the acquisition of Sergeevskoe, the Company funded a total of $463,000 ($130,000 funded prior to December 31, 2016 and $333,000 funded to May 18, 2017). These amounts have been recorded as project investigation costs on the consolidated statement loss and comprehensive loss. To September 30, 2017, the Company has funded $951,000 which includes the $463,000 funded prior to acquisition.

Pursuant to the SPA, Orsu and the Sellers had agreed that if the sale of Karchiga completed prior to September 30, 2017 for proceeds of not less than $7,750,000, then the Sellers would have sold and Orsu would have purchased the remaining 70% of the shares of Sibzoloto for consideration of €700 and $420,000 cash. In the event the sale of Karchiga did not close before September 30, 2017 for the expected amount then Orsu and the Sellers agreed to negotiate the terms of an amendment at that time.

Given the sale of Karchiga completed in October 2017 for proceeds of $5,908,000 (Note 15), Orsu and the Sellers agreed to amended terms. Subject to the acceptance by the TSX-V and completion of a definitive agreement, on closing the Sellers will transfer 60% of the shares of Sibzoloto to Orsu for €600 and US$420,000 cash and Orsu will grant the Sellers a net smelter return royalty of 0.75% on the Sergeevskoe project, to be capped at $7,500,000 at which point it will expire.

Orsu will carry the Sellers 10% interest until completion of a definitive feasibility study on the Sergeevskoe project, at which point the 10% interest will become a participating interest subject to dilution.

The Company exerts significant control over Sibzoloto and is responsible for funding 100% of all costs related to the Sergeevskoe project in the first year of the agreement. Representatives of two of the Sellers joined the board of directors of the Company, one of whom was appointed as the Company's Managing Director. Accordingly, the Company is not reporting any non-controlling interest in the 70% the Company does not own and is consolidating 100% of these entities.

Exploration and evaluation expenditures included in the loss for the three and nine months ended September 30, 2017 are as follows:

	Three months ended September 30, 2017	Nine months ended September 30, 2017
Drilling and assays	$ 278	$ 339
Licenses and permits	39	48
Personnel, administration and travel	34	42
Other	48	59
	$ 399	$ 488

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

8. PROPERTY, PLANT AND EQUIPMENT

	Russia		UK		
	Camp and infrastructure		Equipment		Total
Cost					
December 31, 2016	$	-	$ 6	$	6
Additions		80	-		80
September 30, 2017	$	80	$ 6	$	86
Accumulated depreciation					
December 31, 2016	$	-	$ 2	$	2
Depreciation		-	4		4
September 30, 2017	$	-	$ 6	$	6
Carrying amounts					
December 31, 2016	$	-	$ 4	$	4
September 30, 2017	$	80	$ -	$	80

9. TRADE AND OTHER PAYABLES

		September 30, 2017		December 31, 2016
Trade and other payables in BVI	$	5	$	202
Trade and other payables in Cyprus		11		-
Trade and other payables in Russia		84		-
Trade and other payables in the UK		-		12
Trade and other payables in Canada		-		8
Trade and other payables in the Netherlands		-		1
Interest payable - promissory note		5		-
Due to related parties		39		6
Total	$	144	$	229

10. PROMISSORY NOTES

On acquisition of the Sergeevskoe project located in eastern Russia (Note 7), the Company issued a promissory note to the Sellers for $100,000 and agreed to fund a promissory note for $80,000 payable to a company related to the Sellers. Both promissory notes bear interest at a rate of 8% per annum and are payable on the sale of the Karchiga project.

During the nine months ended September 30, 2017, the Company accrued interest of $5,000.

Subsequent to September 30, 2017, the Company repaid both promissory notes plus accrued interest (Note 15).

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

11. SHARE CAPITAL AND RESERVES

a) Authorized

The Company is authorized to issue a maximum of 100,000,000,000 common shares without par value.

b) Issued and Outstanding

As at September 30, 2017, the Company had 35,718,682 common shares issued and outstanding (December 31, 2016 – 18,269,530).

During the nine months ended September 30, 2017, the Company issued the following common shares:

- issued 890,000 common shares on the exercise of options for gross proceeds of $133,000 (C$178,000).
- issued 16,559,152 common shares valued at $3,042,000 as consideration for a 30% interest in the Sergeevskoe project in Russia (Note 7).

c) Options

The Company has a rolling stock option plan applicable to directors, employees and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the TSX-V. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors.

The continuity of stock options for the nine months ended September 30, 2017 is as follows:

Expiry date	*Exercise price CAD$*	Balance, December 31, 2016	Granted	Exercised	Forfeited	Balance, September 30, 2017
September 2, 2020	*$ 0.20*	1,570,000	-	(890,000)	(150,000)	530,000
September 21, 2022	*$ 0.13*	-	2,845,000	-	-	2,845,000
		1,570,000	2,845,000	(890,000)	(150,000)	3,375,000
Weighted average exercise price - CAD$		$ 0.20	$ 0.13	$ 0.20	$ 0.20	$ 0.14

As at September 30, 2017, all the stock options were exercisable.

d) Share-based compensation

During the nine months ended September 30, 2017, the Company recorded share-based compensation of $369,000 (2016 - $Nil).

On September 21, 2017, the Company granted 2,845,000 stock options to directors, officers, and consultants at a fair value of $369,000 or $0.13 per option. The options vested immediately upon grant. The fair value of the options granted was determined using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 1.74%; an expected volatility of 119%; an expected life of 5 years; a forfeiture rate of 0%; and an expected dividend of zero.

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

11. SHARE CAPITAL AND RESERVES (continued)

e) Obligation to issue shares

Effective March 1, 2017, the Company agreed to pay two of the non-executive directors of the Company director fees of $15,000 per year payable in common shares of the Company (previously £18,000 per year payable in cash). Effective May 18, 2017, the Company agreed to pay a new non-executive director of the Company director fees on the same terms. In November 2017, these terms were amended for one of the directors so that he would be paid half his fees in cash. During the nine months ended September 30, 2017, the Company recorded $19,000 as an obligation to issue shares.

Effective May 18, 2017, the Company agreed to pay the Managing Director of the Company fees of EUR 60,000 per year payable half in cash and half in common shares of the Company. During the nine months ended September 30, 2017, the Company recorded $13,000 (EUR 11,000) as an obligation to issue shares.

Effective May 18, 2017, the Company agreed to pay a consultant fees of $30,000 per year payable in common shares of the Company. During the nine months ended September 30, 2017, the Company recorded $11,000 as an obligation to issue shares.

12. RELATED PARTY TRANSACTIONS AND BALANCES

Except as disclosed elsewhere in these consolidated financial statements, the Company incurred the following related party transactions.

Key management includes members of the Board of Directors, the Executive Chairman, the Managing Director, the Director of Exploration, the Chief Financial Officer and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel, during the three and nine months ended September 30, 2017 and 2016 were as follows:

		Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Salaries and benefits					
Sergey Kurzin	Director	$ 18	$ 52	$ 72	$ 165
Sergei Stefanovich	Director	18	-	26	-
Mark Corra	Director	4	5	13	18
David Rhodes	Director	4	5	13	18
Vladimir Pakhomov	Director	4	-	6	-
Massimo Carello	Former Director	-	5	-	18
Alexander Yakubchuk	Officer	18	50	73	158
Doris Meyer & Dan O'Brien*	Officers	30	-	86	-
Kevin Denham	Former Officer	-	42	-	133
		$ 96	$ 159	$ 289	$ 510

*Consulting fees are paid to Golden Oak Corporate Services Ltd. (“Golden Oak”), a company owned by Doris Meyer, which provides Doris Meyer’s and Dan O’Brien’s services to the Company.

Included in trade and other payables as at September 30, 2017 is $39,000 (September 30, 2016 - $6,000) of which $14,000 is payable to Golden Oak for consulting fees and the reimbursement of expenditures and $25,000 is payable to an officers and a director for fees.

(Unaudited – All tabular amounts are expressed in thousands of US dollars unless otherwise noted)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Equus Petroleum plc

The Company entered into a sublease agreement, dated June 1, 2012, with Equus Petroleum plc ("Equus"), who were a related party until February 2016, to partially sub-let office space from the Company for a period up to February 2016. Effective January 31, 2015, Equus vacated the premises and the Company was unable to secure alternative arrangements to cover the cost of the office premises. As at December 31, 2015, all amounts owing from Equus were written down to $Nil as the Company's accounting policy is to make a full provision for receivables outstanding for greater than 12 months.

By letter agreement dated December 8, 2016, as amended, the Company and Equus agreed that the amount owing to the Company by Equus as at July 28, 2016 was principal of £223,000 and accrued interest of £8,000 totalling £231,000. Interest currently accrues on the principal at the rate of 5% per annum.

During the nine months ended September 30, 2017, Equus paid the Company £178,000 in full and final settlement of the debt and accordingly, the Company recorded interest income of $4,000 (£3,000) and a gain on amounts received from Equus of $221,000 (£175,000).

13. SEGMENTED INFORMATION

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the Executive Chairman. The Company operates in a single segment, being mineral exploration and development. With the exception of the cash disclosed in Note 4, all of the Company's significant assets are held in Russia as at September 30, 2017.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	September 30, 2017	December 31, 2016
Cash	FVTPL	**$ 687**	**$ 2,350**
Receivables	Loans and receivables	**86**	**47**
Trade and other payables	Other liabilities	**186**	**229**
Promissory notes	Other liabilities	**180**	**-**

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments (continued)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for receivables and trade and other payables approximate their fair value due to their short-term nature. The fair value of cash was determined based on Level 1 of the fair value hierarchy.

Risk Management

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended December 31, 2016.

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2017, the Company completed the following transactions:

a) In October 2017, the Company sold its 94.75% interest in the Karchiga project located in Kazakhstan for net proceeds of $5,908,000 (Note 6).

b) In October 2017, the Company repaid two promissory notes totalling $180,000 plus accrued interest (Note 10).

c) In November 2017, the Company agreed to acquire a 60% interest, for a total of a 90% interest, in Sergeevskoe Project located in eastern Russia (Note 7). The acquisition is subject to the acceptance by the TSX-V and completion of definitive agreements.