



**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS**

**For the three months ended March 31, 2019**

(Unaudited – Expressed in US dollars)

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**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's Discussion and Analysis.

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**ORSU METALS CORPORATION**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited – Expressed in US dollars)

	<i>Note</i>	March 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash	4	\$ 1,521,522	\$ 1,681,071
Receivables	5	66,140	177,339
Prepaid expenses	6	74,640	123,761
		1,662,302	1,982,171
<b>Exploration and evaluation assets</b>	7	3,631,715	3,631,715
<b>Property, plant and equipment</b>	8	70,000	72,000
		\$ 5,364,017	\$ 5,685,886
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Trade and other payables	9	\$ 84,124	\$ 55,454
		84,124	55,454
<b>Shareholders' equity</b>			
Share capital	10	385,943,798	385,876,298
Obligation to issue shares	10	16,875	67,500
Reserves	10	33,538,873	33,538,873
Deficit		(414,265,097)	(413,889,029)
Equity attributable to Orsu shareholders		5,234,449	5,593,642
Non-controlling interest		45,444	36,790
		5,279,893	5,630,432
		\$ 5,364,017	\$ 5,685,886
<b>Nature of operations and going concern</b>	1		

These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Board of Directors on May 28, 2019.

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 US dollars)

		Three months ended March 31,	
	Note	2019	2018
<b>EXPENSES</b>			
Administration		\$ 15,971	\$ 13,288
Depreciation	8	2,000	2,000
Exploration and evaluation expenditures	7	141,418	148,149
Foreign exchange		(28,434)	13,598
Investor relations		86,150	-
Professional fees		8,193	9,810
Salaries and benefits		98,052	101,522
Transfer agent and regulatory fees		18,921	10,909
Travel		31,074	7,893
		(373,345)	(307,169)
<b>Interest income</b>		5,931	16,490
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		\$ (367,414)	\$ (290,679)
<b>Loss attributable to Orsu shareholders</b>		\$ (376,068)	\$ (290,679)
<b>Loss attributable to non-controlling interest shareholders</b>		8,654	-
		\$ (367,414)	\$ (290,679)
<b>Basic and diluted loss per common share</b>		\$ (0.01)	\$ (0.01)
<b>Basic and diluted weighted average number of common shares outstanding</b>		36,272,806	36,013,756

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 US dollars)

	<b>Three months ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES:</b>		
Loss for the period	\$ (367,414)	\$ (290,679)
Items not affecting cash:		
Depreciation	2,000	2,000
Accrued interest income	(2,179)	(3,255)
Obligation to issue shares	16,875	16,875
Change in non-cash working capital items:		
Receivables	113,378	36,530
Prepaid expenses	49,121	(822)
Trade and other payables	28,670	(57,362)
	(159,549)	(296,713)
<b>DECREASE IN CASH FOR THE PERIOD</b>	(159,549)	(296,713)
<b>CASH, BEGINNING OF THE PERIOD</b>	1,681,071	4,976,892
<b>CASH, END OF THE PERIOD</b>	\$ 1,521,522	\$ 4,680,179
<b>Non-cash investing and financing activities</b>		
Shares issued to settle an obligation to issue shares	\$ 67,500	\$ 46,573
<b>Supplemental cash flow information</b>		
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 US dollars)

	Number of shares	Share capital	Obligation to issue shares	Reserves	Deficit	Non-controlling interest	Shareholders' equity
Balance, December 31, 2018	36,241,053	\$ 385,876,298	\$ 67,500	\$ 33,538,873	\$ (413,889,029)	\$ 36,790	\$ 5,630,432
Shares issued to settle an obligation to issue shares	317,529	67,500	(67,500)	-	-	-	-
Obligation to issue shares	-	-	16,875	-	-	-	16,875
Comprehensive loss for the period	-	-	-	-	(376,068)	8,654	(367,414)
Balance, March 31, 2019	36,558,582	\$ 385,943,798	\$ 16,875	\$ 33,538,873	\$ (414,265,097)	\$ 45,444	\$ 5,279,893

	Number of shares	Share capital	Obligation to issue shares	Reserves	Deficit	Non-controlling interest	Shareholders' equity
Balance, December 31, 2017	35,718,682	\$ 385,807,842	\$ 46,573	\$ 33,538,873	\$ (410,961,020)	\$ 243,100	\$ 8,675,368
Shares issued to settle an obligation to issue shares	354,089	46,573	(46,573)	-	-	-	-
Obligation to issue shares	-	-	16,875	-	-	-	16,875
Comprehensive loss for the period	-	-	-	-	(290,679)	-	(290,679)
Balance, March 31, 2018	36,072,771	\$ 385,854,415	\$ 16,875	\$ 33,538,873	\$ (411,251,699)	\$ 243,100	\$ 8,401,564

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

# **ORSU METALS CORPORATION**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

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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. The corporate office of the Company is located at Unit 1 - 15782 Marine Drive, White Rock, B.C., Canada, V4B 1E6.

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.

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 March 31, 2019, the Company had working capital of \$1,578,178. Management estimates that these funds may not provide the Company with sufficient financial resources to carry out currently planned exploration and operations over the next twelve months. Accordingly, the Company may need to seek additional sources of financing. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

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

### **2. BASIS OF PRESENTATION**

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#### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting 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, 2018.

#### **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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### **Functional and presentation currency**

These condensed consolidated interim 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.

**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

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**2. BASIS OF PRESENTATION (continued)**

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**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:

Carrying value and recoverability of exploration and evaluation assets

Management has determined that acquisition costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

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 forecasted 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.



**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

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**2. BASIS OF PRESENTATION (continued)**

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**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:

Going concern

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis. The key inputs used by the Company in this process include forecasted capital deployment, progress on permitting, results from the exploration of its properties and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern (Note 1).

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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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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, 2018, except for those accounting policies which have changed as a result of the adoption of new and revised standards and interpretations as described below:

**Adoption of new standards, interpretations and amendments**

The Company adopted the requirements of IFRS 16 – Leases ("IFRS 16") as of January 1, 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the leased asset. For assets that meet the definition of a lease, IFRS 16 requires a single, on-balance sheet accounting model similar to finance lease accounting, with exceptions for short-term leases, leases of low value assets, and mineral exploration leases. The Company does not have any leases that fall within the application of IFRS 16.

**New standards, interpretations and amendments not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective as of March 31, 2019 and have not been applied in preparing these condensed consolidated interim financial statements. In addition, none of these standards are applicable to the Company.

**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

**4. CASH**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
US dollar denominated deposits held in Canada	\$ 1,391,209	\$ 1,607,045
Canadian dollar denominated deposits held in Canada	19,774	22,264
Ruble denominated deposits held in Russia	93,319	26,775
US dollar denominated deposits held in Cyprus	286	189
GBP denominated deposits held in the UK	16,934	24,798
<b>Total</b>	<b>\$ 1,521,522</b>	<b>\$ 1,681,071</b>

**5. RECEIVABLES**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Amounts due from the Government of Russia pursuant to value added tax	\$ 55,628	\$ 164,499
Interest receivable	2,179	729
Other	8,333	12,111
<b>Total</b>	<b>\$ 66,140</b>	<b>\$ 177,339</b>

**6. PREPAID EXPENSES**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Prepaid insurance	\$ 27,619	\$ 43,975
Prepaid investor relations	37,651	74,570
Other	9,370	5,216
<b>Total</b>	<b>\$ 74,640</b>	<b>\$ 123,761</b>

**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

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**7. EXPLORATION AND EVALUATION ASSETS**

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	<b>Sergeevskoe Project</b>	
December 31, 2018	\$	3,631,715
Additions		-
March 31, 2019	\$	3,631,715

The Company has a 90% interest in the Sergeevskoe gold project located in eastern Russia.

The Sergeevskoe project is leased from the Russian Government until 2031.

The sellers of the Sergeevskoe project were granted 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 is responsible for funding 100% of all costs until completion of a definitive feasibility study.

Exploration and evaluation expenditures included in the loss for the three months ended March 31, 2019 and 2018 are as follows:

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	<b>Three months ended March 31,</b>			
	<b>2019</b>		<b>2018</b>	
Drilling and assays	\$	68,353	\$	74,899
Licenses and permits		10,529		6,904
Personnel, administration and travel		62,536		66,346
	\$	141,418	\$	148,149

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**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

**8. PROPERTY, PLANT AND EQUIPMENT**

	Camp and infrastructure		Other assets	Total
<b>Cost</b>				
December 31, 2018	\$	80,000	\$ 5,626	\$ 85,626
Additions		-	-	-
Write-off		-	(5,626)	(5,626)
March 31, 2019	\$	80,000	\$ -	\$ 80,000
<b>Accumulated depreciation</b>				
December 31, 2018	\$	8,000	\$ 5,626	\$ 13,626
Depreciation		2,000	-	2,000
Write-off		-	(5,626)	(5,626)
March 31, 2019	\$	10,000	\$ -	\$ 10,000
<b>Carrying amounts</b>				
December 31, 2018	\$	72,000	\$ -	\$ 72,000
March 31, 2019	\$	70,000	\$ -	\$ 70,000

**9. TRADE AND OTHER PAYABLES**

	March 31, 2019		December 31, 2018	
Trade and other payables in BVI	\$	50,307	\$	41,280
Trade and other payables in Cyprus		222		1,598
Trade and other payables in Russia		29,263		10,447
Due to related parties (Note 11)		4,332		2,129
Total	\$	84,124	\$	55,454

**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

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**10. SHARE CAPITAL AND RESERVES**

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**a) Authorized**

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

**b) Issued and outstanding**

As at March 31, 2019, the Company had 36,558,582 common shares issued and outstanding (December 31, 2018 – 36,241,053). A summary of changes in share capital and reserves is contained on the condensed consolidated interim statements of changes in equity for the three months ended March 31, 2019 and 2018.

During the three months ended March 31, 2019, the Company issued 317,529 common shares valued at \$67,500 to settle an obligation to issue shares (Note 11(d)).

**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 three months ended March 31, 2019 is as follows:

<b>Expiry date</b>	<b>Exercise price CAD\$</b>	<b>Balance, December 31, 2018</b>	<b>Granted</b>	<b>Exercised</b>	<b>Forfeited</b>	<b>Balance, March 31, 2019</b>
September 2, 2020	\$ 0.20	480,000	-	-	-	480,000
September 21, 2022	\$ 0.13	2,845,000	-	-	-	2,845,000
		3,325,000	-	-	-	3,325,000
<b>Weighted average exercise price - CAD\$</b>		\$ 0.14	\$ -	\$ -	\$ -	\$ 0.14

As at March 31, 2019, all stock options were exercisable with a weighted average remaining life of 3.18 years.

**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

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**10. SHARE CAPITAL AND RESERVES (continued)**

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**d) Obligation to issue shares**

The Company's three non-executive directors are paid an annual fee of \$15,000 each. As the Company permits, one of the directors has elected to be paid half of his annual fees in cash and the other half in shares, while the other two directors have elected to be paid all of their annual fees in shares. In addition, the Company has engaged a consultant at the rate of \$30,000 per year to be paid in shares. All shares to be issued will be subject to approval by the TSX-V and will be priced at the closing price on the last trading day of December each year and issued within 3 business days after that.

During the three months ended March 31, 2019, the Company recorded \$16,875 (2018 - \$16,875) as an obligation to issue shares.

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**11. RELATED PARTY TRANSACTIONS AND BALANCES**

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**Key management compensation**

Key management includes members of the non-executive 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 months ended March 31, 2019 and 2018 were as follows:

		Three months ended March 31,	
		2019	2018
Salaries and benefits			
Sergey Kurzin	Director	\$ 17,666	\$ 19,220
Sergei Stefanovich	Director	17,648	19,136
Alexander Yakubchuk	Officer	18,000	18,000
Mark Corra	Director	3,750	3,750
David Rhodes	Director	3,750	3,750
Vladimir Pakhomov	Director	3,750	3,750
Doris Meyer & Dan O'Brien *	Officers	28,026	29,828
		\$ 92,590	\$ 97,434

\*Consulting fees are paid to Golden Oak Corporate Services Ltd. ("Golden Oak"), a company controlled by Dan O'Brien and Doris Meyer, which provides Dan O'Brien's services as Chief Financial Officer and Doris Meyer's services as Corporate Secretary to the Company.

**Amounts due to related parties**

Included in trade and other payables as at March 31, 2019 is \$1,875 (December 31, 2018 - \$Nil) payable to a director of the Company for fees and \$2,457 (December 31, 2018 - \$2,129) related to the reimbursement of expenditures.

**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2019

(Unaudited – Expressed in US dollars)

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**12. SEGMENTED INFORMATION**

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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 evaluation.

With the exception of the cash disclosed in Note 4, all of the Company's significant assets are held in Russia as at March 31, 2019.

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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*Financial Instruments*

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); fair value through other comprehensive income (loss) (“FVTOCI”); or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

<b>Financial Instrument</b>	<b>Category</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Cash	FVTPL	\$ 1,521,522	\$ 1,681,071
Receivables	Amortized cost	66,140	177,339
Trade and other payables	Amortized cost	84,124	55,454

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 carrying values of receivables and trade and other payables approximate their fair values due to their short-term nature. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying value of cash was determined based on Level 1 of the fair value hierarchy.

**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three months ended March 31, 2019  
(Unaudited – Expressed in US dollars)

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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*Risk Management*

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended December 31, 2018.