CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in US dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Orsu Metals Corporation

Opinion

We have audited the accompanying consolidated financial statements of Orsu Metals Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 23, 2020

ORSU METALS CORPORATION
Consolidated Statements of Financial Position
(Expressed in US dollars)

	Note		December 31, 2019		December 31, 2018
ASSETS					
Current					
Cash	4	$	1,069,051	$	1,681,071
Receivables	5		147,703		177,339
Prepaid expenses	6		59,291		123,761
			1,276,045		1,982,171
Exploration and evaluation assets	7		3,631,715		3,631,715
Property, plant and equipment	8		64,000		72,000
		$	4,971,760	$	5,685,886
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Trade and other payables	9	$	80,087	$	55,454
			80,087		55,454
Warrant liability	10		129,960	$	-
			210,047		55,454
Shareholders' equity					
Share capital	11		386,080,298		385,876,298
Obligation to issue shares	11		908,402		67,500
Reserves	11		33,538,873		33,538,873
Deficit			(415,684,113)		(413,889,029)
Equity attributable to Orsu shareholders			4,843,460		5,593,642
Non-controlling interest			(81,747)		36,790
			4,761,713		5,630,432
		$	4,971,760	$	5,685,886

Nature of operations and going concern	*1*
Subsequent events	*17*

These consolidated financial statements were approved for issue by the Board of Directors on April 23, 2020.

They are signed on the Company's behalf by:

"Mark Corra"	*"Sergei Stefanovich"*
Mark Corra, Director	Sergei Stefanovich, Director

ORSU METALS CORPORATION
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US dollars)

		Year ended December 31,	
	Note	**2019**	**2018**
EXPENSES			
Administration		$ 60,302	$ 68,185
Depreciation	*8*	8,000	8,000
Exploration and evaluation expenditures	*7, 12*	1,486,777	2,272,065
Foreign exchange		2,474	179,880
Investor relations		251,173	68,121
Professional fees		60,170	80,068
Salaries and benefits	*12*	390,380	398,650
Transfer agent and regulatory fees		50,880	41,287
Travel		83,885	62,422
		(2,394,041)	(3,178,678)
Interest income		13,498	44,359
Gain on settlement of deferred consideration	*7*	500,000	-
Unrealized loss on warrant liability	*10*	(33,078)	-
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		$ (1,913,621)	$ (3,134,319)
Loss attributable to Orsu shareholders		$ (1,795,084)	$ (2,928,009)
Loss attributable to non-controlling interest shareholders		(118,537)	(206,310)
		$ (1,913,621)	$ (3,134,319)
Basic and diluted loss per common share		$ (0.05)	$ (0.09)
Basic and diluted weighted average number of common shares outstanding		36,691,404	36,082,655

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

ORSU METALS CORPORATION
Consolidated Statements of Cash Flows
(Expressed in US dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the year	$ (1,913,621)	$ (3,134,319)
Items not affecting cash:		
Depreciation	8,000	8,000
Gain on settlement of deferred consideration	(500,000)	-
Unrealized loss on warrant liability	33,078	-
Obligation to issue shares	67,500	67,500
Foreign exchange	1,722	-
Change in non-cash working capital items:		
Receivables	29,636	(37,536)
Prepaid expenses	64,470	(98,402)
Trade and other payables	24,633	(101,064)
	(2,184,582)	(3,295,821)
FINANCING ACTIVITIES:		
Private placement	253,543	-
Share issue costs	(21,883)	-
Obligation to issue shares	840,902	-
Proceeds on settlement of deferred consideration	500,000	-
	1,572,562	-
DECREASE IN CASH FOR THE YEAR	(612,020)	(3,295,821)
CASH, BEGINNING OF THE YEAR	1,681,071	4,976,892
CASH, END OF THE YEAR	$ 1,069,051	$ 1,681,071
Non-cash investing and financing activities		
Shares issued to settle an obligation to issue shares	$ 67,500	$ 46,573
Warrant liability on private placement	95,160	-
Shares issued to settle trade and other payables	-	21,883
Supplemental cash flow information		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

ORSU METALS CORPORATION
Consolidated Statements of Changes in Equity
(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
Private placement	1,400,000	136,500	-	-	-	-	136,500
Shares issued to settle an obligation to issue shares	317,529	67,500	(67,500)	-	-	-	-
Obligation to issue shares	-	-	908,402	-	-	-	908,402
Comprehensive loss for the year	-	-	-	-	(1,795,084)	(118,537)	(1,913,621)
Balance, December 31, 2019	37,958,582	$ 386,080,298	$ 908,402	$ 33,538,873	$ (415,684,113)	$ (81,747)	$ 4,761,713

	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)	-	-	-	-
Shares issued to settle trade and other payables	168,282	21,883	-	-	-	-	21,883
Obligation to issue shares	-	-	67,500	-	-	-	67,500
Comprehensive loss for the year	-	-	-	-	(2,928,009)	(206,310)	(3,134,319)
Balance, December 31, 2018	36,241,053	$ 385,876,298	$ 67,500	$ 33,538,873	$ (413,889,029)	$ 36,790	$ 5,630,432

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 December 31, 2019, the Company had working capital of $1,195,958. 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee.

Basis of measurement

These consolidated 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.

2. BASIS OF PRESENTATION (continued)

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>Carrying value and recoverability of exploration and evaluation assets</u>

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.

<u>Warrant valuation</u>

The fair value of the warrants is calculated using Black-Scholes Option Pricing Model. The option pricing model requires the input of highly speculative assumptions, including the expected future price volatility of the Company's shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models necessarily provide a single measure of the fair value of the Company's warrants.

<u>Share-based compensation</u>

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.

<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 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.

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions (continued)

i) Critical accounting estimates (continued)

Recovery of deferred tax assets (continued)

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.

(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

Principles of consolidation

These consolidated financial statements include the accounts of Orsu and its subsidiaries, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.

For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Name of subsidiary	Place of incorporation	Ownership interest at December 31, 2019	Principal activity
LLC GK Alexandrovskoe	Russia	90%	Mineral exploration company
Sibzoloto Investments Limited	Cyprus	90%	Holding company
Lero Gold Corp.	Canada	100%	Holding company

Foreign currency translation

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

On consolidation, the assets and liabilities are translated into US dollars using the exchange rate at the reporting date, while the operations and cash flows are translated into US dollars using the average rates of exchange for the period. Exchange adjustments arising when the non-monetary assets are translated into US dollars are recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance expenditures are charged to operations. Major improvements and replacements that extend the useful life of an asset are capitalised. Depreciation is charged on a straight-line basis as below:

Camp and infrastructure	10 years
Other assets	3 to 10 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized as exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

The Company may occasionally enter into farm-out arrangements, whereby the Company transfers part of a mineral interest as consideration for an agreement by the transferee to meet certain exploration and evaluation expenditure commitments. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a recovery of exploration and evaluation assets.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method upon reaching production. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are changed to profit or loss. The Company has no restoration, rehabilitation or environmental obligations.

Impairment

The Company reviews and evaluates its exploration and evaluation assets for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Under IFRS 6, "Exploration for and evaluation of mineral resources", the Company initially assesses where facts and circumstances indicate that the carrying amount of a mineral property may exceed its fair value. Facts and circumstances which indicate that the Company should test for impairment include expiry of the exploration licence where renewal is not expected, substantive expenditure not planned for the foreseeable future, poor resource results or data which adequately shows that it is not economically viable. When facts and circumstance indicate that the carrying amount exceeds the recoverable amount, the Company will then estimate net future cash flows and write down any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If impairment is identified, assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (the cash generating unit "CGU"). The recoverable amount of an asset or CGU is the greater of its fair value less costs to disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. The Company evaluates impairment for potential reversals when events or circumstances warrant such consideration.

Financial instruments

Financial assets

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) at fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

Derivative financial instruments

The Company issues warrants exercisable in a currency other than the Company's functional currency and as a result, the Company's warrant liability is considered a derivative financial instrument.

Derivative financial instruments are initially recognized at FVTPL. Transaction costs are recognized in profit or loss as incurred.

Share capital

Common shares issued are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognised as a deduction from equity.

Share-based compensation

The stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based compensation. Otherwise, share-based compensation is measured at the fair value of goods or services received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is calculated by dividing the profit or loss by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Income taxes

The Company's income tax is comprised of current and deferred tax. The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognised as the estimated income taxes payable for the current period using tax rates enacted, or substantially enacted, at the end of the reporting period. Deferred income tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are recognised to the extent that the realization of the related tax benefit through future taxable profits is probable.

Deferred tax assets and liabilities are recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are evaluated and where the Company considers that these are unlikely to be realised, the associated deferred tax asset is not recognised.

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 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

There are no new standards that will have any significant effect on the Company.

(Expressed in US dollars)

4. CASH

		December 31, 2019		December 31, 2018
US dollar denominated deposits held in Canada	$	218,653	$	1,607,045
Canadian dollar denominated deposits held in Canada		798,723		22,264
Ruble denominated deposits held in Russia		30,522		26,775
US dollar denominated deposits held in Cyprus		378		189
GBP denominated deposits held in the UK		20,775		24,798
Total	$	1,069,051	$	1,681,071

5. RECEIVABLES

		December 31, 2019		December 31, 2018
Amounts due from the Government of Russia pursuant to value added tax	$	117,657	$	164,499
Interest receivable		-		729
Other		30,046		12,111
Total	$	147,703	$	177,339

6. PREPAID EXPENSES

		December 31, 2019		December 31, 2018
Prepaid insurance	$	41,608	$	43,975
Prepaid investor relations		4,783		74,570
Other		12,900		5,216
Total	$	59,291	$	123,761

(Expressed in US dollars)

7. EXPLORATION AND EVALUATION ASSETS

Sergeevskoe Project, Russia

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 years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31,	
	2019	**2018**
Drilling and assays	$ 1,093,067	$ 2,091,786
Licenses and permits	34,798	43,711
Personnel, administration and travel	358,912	136,568
	$ 1,486,777	$ 2,272,065

Akdjol-Tokhtazan Project, Kyrgyz Republic.

In July 2016, the Company sold its interest in the Akdjol-Tokhtazan Project located in the Kyrgyz Republic to Oriel in Kyrgyzstan LLC (“Oriel”). In accordance with the terms of the agreement, an existing interest free intercompany loan of $4,190,000 with Oriel (the “Oriel Loan”) remained in place and the purchasers may, within two years of the effective date of the agreement, elect to:

- purchase the Oriel Loan for the sum of $2,000,000; or
- cancel the Oriel Loan upon the payment by the purchasers of the sum of $2,000,000.

The purchasers did not elect either option, and accordingly the Oriel Loan is repayable within three years from the commencement of production at an interest rate of LIBOR plus 5%.

In addition, deferred consideration of $2,000,000 is payable by the purchasers from production revenues over the first two years of production at the Akdjol-Tokhtazan Project at $250,000 per quarter from the commencement of production (the “Deferred Consideration”).

In December 2019, the Company received $500,000 from Oriel in full and final settlement of the Oriel Loan and the Deferred Consideration. The Company recorded the $500,000 as a gain on settlement of deferred consideration for the year ended December 31, 2019.

(Expressed in US dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Camp and infrastructure	Other assets	Total
Cost			
December 31, 2017	$ 80,000	$ 7,121	$ 87,121
Additions	-	-	-
Write-off	-	(1,495)	(1,495)
December 31, 2018	80,000	5,626	85,626
Additions	-	-	-
Write-off	-	(5,626)	(5,626)
December 31, 2019	$ 80,000	$ -	$ 80,000
Accumulated depreciation			
December 31, 2017	$ -	$ 7,121	$ 7,121
Depreciation	8,000	-	8,000
Write-off	-	(1,495)	(1,495)
December 31, 2018	8,000	5,626	13,626
Depreciation	8,000	-	8,000
Write-off	-	(5,626)	(5,626)
December 31, 2019	$ 16,000	$ -	$ 16,000
Carrying amounts			
December 31, 2018	$ 72,000	$ -	$ 72,000
December 31, 2019	$ 64,000	$ -	$ 64,000

9. TRADE AND OTHER PAYABLES

	December 31, 2019	December 31, 2018
Trade and other payables in BVI	$ 50,398	$ 41,280
Trade and other payables in Cyprus	221	1,598
Trade and other payables in Russia	29,126	10,447
Due to related parties (Note 12)	342	2,129
Total	$ 80,087	$ 55,454

(Expressed in US dollars)

10. WARRANT LIABILITY

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ -	$ -
Issuance of warrants	95,160	-
Unrealized loss on revaluation	33,078	-
Foreign exchange	1,722	-
Balance, end of year	$ 129,960	$ -

Share purchase warrants are considered a derivative liability, as the currency denomination of the exercise price is different from the functional currency of the Company.

The warrant liability was revalued as at December 31, 2019 using the Black-Scholes option pricing model with the following assumptions: a risk free interest rate of 1.71%; an expected volatility of 83.1%; an expected life of 2.86 years; a forfeiture rate of zero; an expected dividend of zero; and an exchange rate of 1.2988.

11. SHARE CAPITAL AND RESERVES

a) Authorized

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

b) Issued and outstanding

As at December 31, 2019, the Company had 37,958,582 common shares issued and outstanding (2018 – 36,241,053). A summary of changes in share capital and reserves is contained on the consolidated statements of changes in equity for the years ended December 31, 2019 and 2018.

During the year ended December 31, 2019, the Company:

- issued 317,529 common shares valued at $67,500 to settle an obligation to issue shares (Note 11e); and

- completed a non-brokered private placement through the issue of 1,400,000 units at a price of CAD$0.2385 per unit for gross proceeds of $253,543 (CAD$333,900). Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.36 per share until November 8, 2022. The Company paid cash finder's fees of $15,237 and share issue costs of $6,646.

  The warrants were valued at $95,160 using the Black- Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.60%; an expected volatility of 85.7%; an expected life of 3 years; a forfeiture rate of zero; an expected dividend of zero; and an exchange rate of 1.3223.

(Expressed in US dollars)

11. SHARE CAPITAL AND RESERVES (continued)

b) Issued and outstanding (continued)

During the year ended December 31, 2018, the Company:

- issued 354,089 common shares valued at $46,573 to settle an obligation to issue shares; and

- issued 168,282 common shares to the Managing Director of the Company to settle $21,883 of trade and other payables that resulted from fees incurred in fiscal 2017.

c) Warrants

The continuity of share purchase warrants for the year ended December 31, 2019 is as follows:

Expiry date	Exercise price CAD$	Balance, December 31, 2018	Granted	Exercised	Forfeited	Balance, December 31, 2019
November 8, 2022	$ 0.36	-	1,400,000	-	-	1,400,000
		-	1,400,000	-	-	1,400,000
Weighted average exercise price - CAD$		$ -	$ 0.36	$ -	$ -	$ 0.36

The Company did not have any share purchase warrants in fiscal 2018.

d) 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 year ended December 31, 2019 is as follows:

Expiry date	Exercise price CAD$	Balance, December 31, 2018	Granted	Exercised	Forfeited	Balance, December 31, 2019
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
Weighted average exercise price - CAD$		$ 0.14	$ -	$ -	$ -	$ 0.14

As at December 31, 2019, all stock options were exercisable with a weighted average remaining life of 2.43 years.

(Expressed in US dollars)

11. SHARE CAPITAL AND RESERVES (continued)

d) Options (continued)

The continuity of stock options for the year ended December 31, 2018 is as follows:

Expiry date	Exercise price CAD$	Balance, December 31, 2017	Granted	Exercised	Forfeited	Balance, December 31, 2018
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
Weighted average exercise price - CAD$		$ 0.14	$ -	$ -	$ -	$ 0.14

e) Obligation to issue shares

Shares for services

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 year ended December 31, 2019, the Company recorded $67,500 (2018 - $67,500) as an obligation to issue shares.

Private placement

In November 2019, the Company completed a non-brokered private placement of 4,188,962 special warrants at a price of CAD$0.265 per special warrant to raise gross proceeds of $840,902 (CAD$1,110,075) from two directors of the Company. Sergei Stefanovich, the Managing Director of the Company, subscribed for $750,000 (CAD$990,075) of the financing and Sergey Kurzin, the Executive Chairman of the Company, subscribed for $90,902 (CAD$120,000) of the financing. Each special warrant is convertible into one common share of the Company.

In January 2020, the special warrants were converted into common shares of the Company (Note 17).

(Expressed in US dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

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 year ended December 31, 2019 and 2018 were as follows:

		Year ended December 31, 2019	2018
Salaries and benefits			
Sergey Kurzin	Director	$ 69,524	$ 73,610
Sergei Stefanovich	Director	69,609	72,842
Mark Corra	Director	15,000	15,000
David Rhodes	Director	15,000	15,000
Vladimir Pakhomov	Director	15,000	15,000
Doris Meyer & Dan O'Brien *	Officers	112,792	116,282
		296,925	307,734
Exploration and evaluation expenditures			
Alexander Yakubchuk	Officer	172,000	72,000
		$ 468,925	$ 379,734

* Consulting fees are paid to Golden Oak Corporate Services Ltd., 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 December 31, 2019 is $342 (2018 - $2,129) related to the reimbursement of expenditures.

(Expressed in US dollars)

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 evaluation.

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2019	December 31, 2018
Cash	FVTPL	$ 1,069,051	$ 1,681,071
Receivables	Amortized cost	147,703	177,339
Trade and other payables	Amortized cost	80,087	55,454
Warrant liability	FVTPL	129,960	-

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. The fair value of the Company's warrant liability is recorded at fair value using Level 3 of the fair value hierarchy. The carrying value of the warrant liability is determined using the Black-Scholes option pricing model.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits the exposure to credit risk in its cash by only investing its cash with high credit quality financial institutions in business and savings accounts and guaranteed investment certificates which are available on demand by the Company for its programs. The Company's receivables primarily include balances receivable from government agencies. The Company is exposed to some risk on amounts due from these government agencies however to date the Company has been successful on collecting on its receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. The Company's cash is primarily on deposit in Canadian business accounts or guaranteed investment certificates which are available on demand.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risk on cash is not considered significant.

Foreign Currency Risk

The Company's functional and presentation currency is the US dollar. Foreign currency risk arises from transactions denominated in currencies denominated in currencies other than US dollars, as some costs are denominated in Canadian dollars, Great British Pounds and Russian Rubles. As at December 31, 2019, the Company holds 80% of its cash in foreign currencies (Note 4). Management believes the foreign exchange risk related to currency conversions are minimal and therefore, does not hedge its foreign exchange risk. The effect of a 5% change in the foreign exchange rate on cash held in foreign currencies at December 31, 2019 would be $40,000.

(Expressed in US dollars)

15. MANAGEMENT OF CAPITAL

The Company considers its shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk. The Company is not subject to any externally imposed capital restrictions.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure forecasts that are updated as necessary depending on various factors including successful capital deployment and general industry conditions. In order to maximize ongoing exploration expenditures, the Company does not pay out dividends.

There has been no change to the Company's approach to capital management for the years presented.

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended December 31, 2019	2018
Statutory tax rate	20.10%	20.10%
Loss for the year	$ (1,913,621)	$ (3,134,319)
Expected income tax recovery	$ (517,000)	$ (846,000)
Different tax rates of foreign jurisdictions	407,000	271,000
Adjustment to prior years provision versus statutory tax returns	(139,000)	(126,000)
Non-deductible expenses	(108,000)	125,000
Change in benefits not recognised, deferred tax rates and other	357,000	576,000
Total	$ -	$ -

(Expressed in US dollars)

16. INCOME TAXES (continued)

The significant components of the Company's unrecorded deferred tax assets are as follows:

		December 31, 2019		December 31, 2018
Deferred tax assets				
Allowable capital losses	$	2,836,000	$	2,700,000
Non-capital losses available for future periods		991,000		770,000
Total unrecognized deferred tax assets	$	3,827,000	$	3,470,000

Deferred tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

		December 31, 2019	Expiry date range
Temporary differences			
Allowable capital losses	$	10,504,000	No expiry date
Non-capital losses available for future periods		4,905,000	see below
Non-capital loss summary			
Russia	$	4,459,000	no expiry date
Cyprus		146,000	no expiry date
Canada		300,000	2031 to 2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

17. SUBSEQUENT EVENTS

a) On January 2, 2020, 4,188,962 special warrants were converted into 4,188,962 common shares of the Company. The special warrants are related to a non-brokered private placement completed in November 2019 (Note 11e).

b) On January 3, 2020, the Company granted directors, officers, and consultants of the Company 889,000 stock options exercisable at a price of CAD$0.265 per share until January 3, 2025.

c) On January 7, 2020, the Company issued 330,823 common shares to settle an obligation to issue shares of $67,500 (Note 11e).