



**CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS**

**For the nine months ended September 30, 2022**

(Unaudited - Expressed in US dollars)

---

**Notice to Reader**

These condensed interim consolidated 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 interim consolidated financial statements, notes to the financial statements or the related quarterly Management's Discussion and Analysis.

---

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

	Note	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash	4	\$ 57,352	\$ 515,418
Receivables	5	16,348	41,994
Prepaid expenses	6	37,560	78,301
		\$ 111,260	\$ 635,713
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Trade and other payables	8	\$ 179,848	\$ 87,377
Related party loan	11	28,344	-
Warrant liability	9	19	60,879
		208,211	148,256
<b>Shareholders' equity</b>			
Share capital	10	387,346,253	387,228,913
Obligation to issue shares	10	-	117,340
Reserves	10	33,625,984	33,625,984
Deficit		(420,750,455)	(420,105,723)
Equity attributable to Orsu shareholders		221,782	866,514
Non-controlling interest		(318,733)	(379,057)
		(96,951)	487,457
		\$ 111,260	\$ 635,713
<b>Nature of operations and going concern</b>	1		
<b>Proposed transaction</b>	14		
<b>Subsequent events</b>	15		

These condensed interim consolidated financial statements were approved for issue by the Audit Committee of the Board of Directors on November 24, 2022.

They are signed on the Company's behalf by:

"Mark Corra"

Mark Corra, Director

"Sergei Kurzin"

Sergei Kurzin, Director

# ORSU METALS CORPORATION

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in US dollars)

	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>EXPENSES</b>					
Administration		\$ 7,834	\$ 9,466	\$ 40,037	\$ 47,178
Depreciation		-	2,000	-	6,000
Exploration and evaluation expenditures	7 & 11	240,353	158,263	709,372	551,513
Foreign exchange		(167,858)	103,245	(320,061)	23,329
Investor relations		-	2,123	-	2,623
Professional fees		72,312	17,099	100,165	79,472
Salaries and benefits	11	4,591	103,115	199,132	311,411
Transfer agent and regulatory fees		6,325	4,740	32,802	15,452
Travel		-	832	2,702	2,156
		(163,557)	(400,883)	(764,149)	(1,039,134)
<b>Gain on collection of bulk test sample recoveries receivable</b>		-	237,508	-	748,558
<b>Gain on forgiveness of obligation to issue shares</b>	10 & 11	64,066	-	64,066	-
<b>Gain on forgiveness of trade and other payables</b>	8 & 11	54,752	-	54,752	-
<b>Interest expense on related party loan</b>	11	(512)	-	(512)	-
<b>Unrealized gain on warrant liability</b>	9	2,169	65,920	61,435	77,702
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		\$ (43,082)	\$ (97,455)	\$ (584,408)	\$ (212,874)
<b>Loss attributable to Orsu shareholders</b>		\$ (67,602)	\$ (90,255)	\$ (644,732)	\$ (167,437)
<b>Income (loss) attributable to non-controlling interest shareholders</b>		24,520	(7,200)	60,324	(45,437)
		\$ (43,082)	\$ (97,455)	\$ (584,408)	\$ (212,874)
<b>Basic and diluted loss per common share</b>		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>Basic and diluted weighted average number of common shares outstanding</b>		44,089,806	43,529,898	44,065,195	43,504,776

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

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

	Nine months ended September 30,	
	2022	2021
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES:</b>		
Loss for the period	\$ (584,408)	\$ (212,874)
Items not affecting cash:		
Depreciation	-	6,000
Gain on forgiveness of obligation to issue shares	(64,066)	-
Gain on forgiveness of trade and other payables	(54,752)	-
Accrued interest expense on related party loan	512	-
Unrealized gain on warrant liability	(61,435)	(77,702)
Obligation to issue shares	64,066	104,461
Foreign exchange on related party loan	(2,354)	-
Foreign exchange on warrant liability	575	(797)
Change in non-cash working capital items:		
Receivables	25,646	873,894
Prepaid expenses	40,741	4,422
Trade and other payables	147,223	(5,609)
	(488,252)	691,795
<b>INVESTING ACTIVITIES:</b>		
Related party loan	30,186	-
	30,186	-
<b>CHANGE IN CASH FOR THE PERIOD</b>	(458,066)	691,795
<b>CASH, BEGINNING OF THE PERIOD</b>	515,418	75,088
<b>CASH, END OF THE PERIOD</b>	\$ 57,352	\$ 766,883
<b>Non-cash investing and financing activities</b>		
Shares issued to settle an obligation to issue shares	\$ 117,340	\$ 136,913
<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 interim consolidated financial statements*

## ORSU METALS CORPORATION

### Condensed Interim Consolidated Statements of Changes in Shareholders' 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, 2021	43,529,898	\$ 387,228,913	\$ 117,340	\$ 33,625,984	\$ (420,105,723)	\$ (379,057)	\$ 487,457
Shares issued to settle an obligation to issue shares	559,908	117,340	(117,340)	-	-	-	-
Obligation to issue shares	-	-	64,006	-	-	-	64,006
Forgiveness of obligation to issue shares	-	-	(64,006)	-	-	-	(64,006)
Comprehensive loss for the period	-	-	-	-	(644,732)	60,324	(584,408)
Balance, September 30, 2022	44,089,806	\$ 387,346,253	\$ -	\$ 33,625,984	\$ (420,750,455)	\$ (318,733)	\$ (96,951)

	Number of shares	Share capital	Obligation to issue shares	Reserves	Deficit	Non-controlling interest	Shareholders' equity
Balance, December 31, 2020	42,958,367	\$ 387,092,000	\$ 136,913	\$ 33,625,984	\$ (416,265,856)	\$ (31,822)	\$ 4,557,219
Shares issued to settle an obligation to issue shares	571,531	136,913	(136,913)	-	-	-	-
Obligation to issue shares	-	-	104,461	-	-	-	104,461
Comprehensive loss for the period	-	-	-	-	(167,437)	(45,437)	(212,874)
Balance, September 30, 2021	43,529,898	\$ 387,228,913	\$ 104,461	\$ 33,625,984	\$ (416,433,293)	\$ (77,259)	\$ 4,448,806

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

# ORSU METALS CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

---

### 1. NATURE OF OPERATIONS AND GOING CONCERN

---

Orsu Metals Corporation (“Orsu” or the “Company”) is a publicly traded company incorporated under the laws of the Province of British Columbia. 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.

Until it was sold on October 31, 2022, the Company’s sole asset was a 90% interest in the Sergeevskoe gold project located in eastern Russia (Note 7).

Since the Russian invasion of Ukraine in February 2022, the Company has been monitoring the evolving situation and assessing the risks associated with the sanctions and their impact on the Company’s operations in Russia. After considering the anticipated risks and benefits of alternatives to the Disposition (described below), including continuing maintaining the Company’s existing interest in the Sergeevskoe gold project, it was determined by a special committee of independent directors of Orsu that given the sanctions made against Russia and Russia’s invasion of Ukraine, neither of which are expected to be resolved soon, and the Company’s limited cash treasury and inability to raise additional equity financing as a result of the Russia sanctions, continuing with the development of the Sergeevskoe project is not an option.

From May to September 2022, the Company was party to a non-binding letter of intent (the “LOI”) with Invenir Ltd. (“Invenir”) and Skyfire Ltd. (“Skyfire”) with respect to a business combination that would have resulted in a reverse takeover and change of business of Orsu (the “Proposed Transaction”). The Proposed Transaction did not close by September 30, 2022 and the LOI was terminated by Invenir and Skyfire (Note 14).

In May 2022, concurrent with the Proposed Transaction, the Company entered into a share purchase agreement pursuant to which Orsu would sell its 90% interest in the Sergeevskoe project to the holders of the other 10% interest in the project (the “Disposition”). The Company’s shareholders approved the Disposition subject to closing of the Proposed Transaction. In October 2022, the Company sought and received shareholder approval by way of a consent resolution to waive the closing of the Proposed Transaction as a condition precedent to closing the Disposition. The Disposition closed on October 31, 2022, and the Company completed its exit from Russia (Note 15).

The Company is engaged in discussions and evaluating a number of potential acquisitions with a concurrent equity financing with an aim to move the Company forward.

These condensed interim consolidated 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, 2022, the Company had a working capital deficiency of \$96,951. The Company will 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 condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

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

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

---

**2. BASIS OF PRESENTATION**

---

**Statement of compliance**

These condensed interim consolidated 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 interim consolidated 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, 2021.

**Basis of measurement**

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

**Functional and presentation currency**

These condensed interim 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**

Information about estimates and judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are included in Note 2 to the Company’s December 31, 2021 annual consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

---

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company as at and for the year ended December 31, 2021.

These consolidated financial statements include the accounts of Orsu and its subsidiaries. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.

Name of subsidiary	Place of incorporation	Ownership interest at September 30, 2022	Principal activity
LLC GK Alexandrovskoe	Russia	90%	Mineral exploration company
Sibzoloto Investments Limited	Cyprus	90%	Holding company

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

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



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

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

**4. CASH**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
US dollar denominated deposits held in Canada	\$ 16,472	\$ 410,449
Canadian dollar denominated deposits held in Canada	10,448	5,123
Ruble denominated deposits held in Russia	30,432	95,014
US dollar denominated deposits held in Cyprus	-	4,832
<b>Total</b>	<b>\$ 57,352</b>	<b>\$ 515,418</b>

**5. RECEIVABLES**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Amounts due from the Government of Russia pursuant to value added tax	\$ 8,312	\$ 27,162
Amounts due from the Government of Canada pursuant to input tax credits	2,765	1,573
Other	5,271	13,259
<b>Total</b>	<b>\$ 16,348</b>	<b>\$ 41,994</b>

**6. PREPAID EXPENSES**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Prepaid insurance	\$ 4,819	\$ 51,277
Other	32,741	27,024
<b>Total</b>	<b>\$ 37,560</b>	<b>\$ 78,301</b>

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

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

**7. EXPLORATION AND EVALUATION ASSETS**

Until it was sold on October 31, 2022, the Company's sole asset was a 90% interest in the Sergeevskoe gold project located in eastern Russia.

From May to September 2022, the Company was party to a non-binding LOI with Invenir and Skyfire with respect to a business combination that would have resulted in a reverse takeover and change of business of Orsu. The Proposed Transaction did not close by September 30, 2022 and the LOI was terminated by Invenir and Skyfire (Note 14).

Exploration and evaluation expenditures included in the loss for the three and nine months ended September 30, 2022, and 2021 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Licenses and permits	\$ 40,846	\$ 28,118	\$ 87,244	\$ 121,171
Personnel, administration and travel	151,858	63,464	345,290	282,153
Studies and evaluations	47,649	66,681	276,838	148,189
	\$ 240,353	\$ 158,263	\$ 709,372	\$ 551,513

**8. TRADE AND OTHER PAYABLES**

	September 30,	December 31,
	2022	2021
Trade and other payables in Canada	\$ 125,124	\$ 39,445
Trade and other payables in Russia	37,180	26,783
Trade and other payables in Cyprus	5,656	-
Due to related parties (Note 11)	11,888	21,149
Total	\$ 179,848	\$ 87,377

In November 2022, accrued fees to June 30, 2022 of \$54,752 owing to officers and directors of the Company were forgiven and all future fees were waived, effective July 1, 2022, until further notice. Accordingly, the Company recorded a gain on forgiveness of trade and other payables of \$54,752 during the nine months ended September 30, 2022.

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

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

**9. WARRANT LIABILITY**

	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 60,879	\$ 134,016
Unrealized gain on revaluation	(61,435)	(72,616)
Foreign exchange	575	(521)
Balance, end of period	\$ 19	\$ 60,879

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 September 30, 2022 using the Black-Scholes option pricing model with the following assumptions: a stock price of C\$0.13; a risk-free interest rate of 3.72%; an expected volatility of 100%; an expected life of 0.11 years; a forfeiture rate of zero; an expected dividend of zero; and an exchange rate of 1.3707.

In November 2022, these share purchase warrants expired unexercised (Note 16).

**10. SHARE CAPITAL AND RESERVES**

**a) Authorized**

The Company is authorized to issue an unlimited number of common shares without par value.

**b) Issued and outstanding**

As at September 30, 2022, the Company had 44,089,806 common shares issued and outstanding (December 31, 2021 – 43,529,898). A summary of changes in share capital and reserves is contained on the consolidated statements of changes in shareholders' equity for the nine months ended September 30, 2022 and 2021.

On January 7, 2022, the Company issued 559,908 common shares to settle an obligation to issue shares of \$117,340 (Note 10e).

**c) Warrants**

The continuity of share purchase warrants for the nine months ended September 30, 2022 is as follows:

Expiry date	Exercise price CAD\$	Balance, December 31, 2021	Granted	Exercised	Forfeited	Balance, September 30, 2022
November 8, 2022	\$ 0.36	1,400,000	-	-	-	1,400,000
		1,400,000	-	-	-	1,400,000
<b>Weighted average exercise price - CAD\$</b>		<b>\$ 0.36</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.36</b>

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

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

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

**d) Options**

On August 26, 2022, the Company's shareholders approved a new replacement stock option plan (the "New Option Plan"). The New Option Plan is a 10% "rolling" stock option plan which governs the granting of stock options to directors, officers, employees and consultants of the Company for the purchase of up to 10% of the issued and outstanding common shares of the Company from time to time which supersedes the current stock option plan (the "Superseded Option Plan"). Any stock options currently outstanding under the Superseded Option Plan will remain outstanding, however new stock option grants will be subject to the New Option Plan. The maximum term of stock options is ten years from the grant date. The exercise price and vesting terms are at the discretion of the directors.

The New Option Plan follows the new security based compensation policy adopted by the TSX-V in November 2021.

The continuity of stock options for the nine months ended September 30, 2022 is as follows:

<b>Expiry date</b>	<b>Exercise price CAD\$</b>	<b>Balance, December 31, 2021</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired / Forfeited</b>	<b>Balance, September 30, 2022</b>
September 21, 2022	\$ 0.13	2,845,000	-	-	(2,845,000)	-
January 3, 2025	\$ 0.265	889,000	-	-	(240,000)	649,000
		3,734,000	-	-	(3,085,000)	649,000
<b>Weighted average exercise price - CAD\$</b>		\$ 0.16	\$ -	\$ -	\$ 0.14	\$ 0.27

As at September 30, 2022, all stock options were exercisable with a weighted average remaining life of 2.26 years.

**e) Obligation to issue shares**

The Company's three non-executive directors were paid an annual fee of \$15,000 each. As the Company permits, one of the directors elected to be paid half of his annual fees in cash and the other half in shares, while the other two directors 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. Lastly, the Company's Managing Director elected to be paid his salary of 60,000 Euro 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 nine months ended September 30, 2022, the Company recorded \$64,066 (2021 - \$104,461) as an obligation to issue shares.

In November 2022, the obligation to issue shares accrued to June 30, 2022 of \$64,066 owing to directors and a consultant of the Company were forgiven and all future fees were waived, effective July 1, 2022. Accordingly, the Company recorded a gain on forgiveness of obligation to issue shares of \$64,066 during the nine months ended September 30, 2022.

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

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

---

**11. 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 three and nine months ended September 30, 2022, and 2021 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Salaries and benefits				
Chairman	\$ -	\$ 17,998	\$ 32,930	\$ 54,399
Managing Director	-	17,685	32,816	53,836
Independent Directors	-	11,250	22,500	33,750
Chief Financial Officer and Corporate Secretary	-	29,997	59,094	89,927
	\$ -	\$ 76,930	\$ 147,340	\$ 231,912
Exploration and evaluation expenditures				
Director of Exploration	\$ -	\$ 18,000	\$ 42,000	\$ 54,000

*Due to related parties*

As at September 30, 2022, the Company owed \$11,888 (December 31, 2021 – \$21,404) to related parties for the reimbursement of expenditures. All amounts are unsecured and non-interest bearing.

*Forgiveness of debt*

In November 2022, accrued fees to June 30, 2022 of \$54,752 owing to officers and directors of the Company were forgiven and all future fees were waived, effective July 1, 2022, until further notice. Accordingly, the Company recorded a gain on forgiveness of trade and other payables of \$54,752 during the nine months ended September 30, 2022.

In November 2022, the obligation to issue shares accrued to June 30, 2022 of \$64,066 owing to directors and a consultant of the Company were forgiven and all future fees were waived, effective July 1, 2022. Accordingly, the Company recorded a gain on forgiveness of obligation to issue shares of \$64,066 during the nine months ended September 30, 2022.

*Related party loan*

In July 2022, the Managing Director of the Company loaned the Company \$30,186 (£25,000). The loan was unsecured, bore interest at a rate of 10%, and was payable by November 30, 2022.

In November 2022, the Managing Director forgave all principal and interest owing (Note 15).

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

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

---

**12. 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 Managing Director.

The Company operates in a single segment, being mineral exploration and evaluation.

---

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

---

*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 (“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>September 30, 2022</b>	<b>December 31, 2021</b>
Cash	FVTPL	\$ 57,352	\$ 515,418
Receivables	Amortized cost	16,348	41,994
Trade and other payables	Amortized cost	179,848	87,377
Warrant liability	FVTPL	19	60,879

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

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

For the nine months ended September 30, 2022

(Unaudited - Expressed in US dollars)

---

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

---

*Financial Instruments (continued)*

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.

*Risk Management*

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended December 31, 2021.

*COVID-19*

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse impacts of the outbreak and its effects on the Company's business or ability to raise funds. To date, the COVID-19 pandemic has not had a significant impact on the Company's operations.

**14. PROPOSED TRANSACTION**

---

From May to September 2022, the Company was party to a non-binding LOI with Invenir and Skyfire with respect to a business combination that would have resulted in a reverse takeover and change of business of Orsu. The Proposed Transaction did not close by September 30, 2022 and the LOI was terminated by Invenir and Skyfire.

**15. DISPOSITION OF RUSSIAN ASSETS**

---

In May 2022, concurrent with the Proposed Transaction, the Company entered into a share purchase agreement pursuant to which Orsu would sell its 90% interest in the Sergeevskoe project to the holders of the other 10% interest (the "Buyers") in the project (the "Disposition"). The Company's shareholders approved the Disposition subject to closing of the Proposed Transaction.

In October 2022, the Company sought and received shareholder approval by way of a consent resolution to waive the closing of the Proposed Transaction as a condition precedent to closing the Disposition. The Disposition closed on October 31, 2022, and the Company completed its exit from Russia.

The Company may be paid contingent consideration up to a maximum of US\$4.5 million if the Buyer's sell Sergeevskoe within 5 years of closing to a third-party buyer, and the Company is not precluded by sanctions from receiving that contingent consideration.

**ORSU METALS CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the nine months ended September 30, 2022  
(Unaudited - Expressed in US dollars)

---

**16. SUBSEQUENT EVENTS**

---

Subsequent to September 30, 2022, the Company completed the following transactions

- In November 2022, the Managing Director of the Company forgave all principal and interest owing pursuant to his related party loan (Note 11).
- In November 2022, 1,400,000 warrants expired unexercised (Note 10).