OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

November 30, 2021

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

OROCO RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
As at

	November 30, 2021	May 31, 2021
ASSETS		
Current		
Cash	$ 14,425,110	$ 20,213,252
Restricted cash (Note 9)	97,000	97,000
Receivables	394,119	828,428
Prepaid expenses and advances	660,986	605,195
	15,577,215	21,743,875
Marketable securities (Note 4)	271,044	271,044
Exploration and evaluation assets (Note 6)	39,854,599	32,306,267
Equipment (Note 7)	3,114,640	607,690
	$ 58,817,498	$ 54,928,876
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 8 and 12)	$ 2,353,731	$ 1,124,177
Derivative liability (Note 9)	76,662	62,075
	2,430,393	1,186,252
Deferred tax liability	13,443	13,443
	2,443,836	1,199,695
Shareholders' equity		
Share capital (Note 10)	67,241,197	63,754,078
Share subscriptions received in advance (Note 10)	-	138,650
Reserves (Note 10)	9,502,174	6,621,530
Deficit	(23,774,920)	(20,176,091)
Equity attributable to the Company's shareholders	52,968,451	50,338,167
Non-controlling interest (Note 11)	3,405,211	3,391,014
	56,373,6621	53,729,181
	$ 58,817,498	$ 54,928,876

Nature of operations and going concern (Note 1)
Contingency (Note 6(a))

Approved on behalf of the Board:

"Craig Dalziel"
Craig Dalziel – Director

"Ian Rice"
Ian Rice – Director

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

OROCO RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	For the Three Months Ended November 30, 2021	For the Three Months Ended November 30, 2020	For the Six Months Ended November 30, 2021	For the Six Months Ended November 30, 2020
Expenses				
Business development	$ -	$ 24,600	$ -	$ 41,790
Consulting fees (Note 12)	56,000	64,750	107,000	121,000
Depreciation (Note 7)	142	170	284	340
Foreign currency loss (gain)	(51,636)	21,456	(111,996)	17,686
Management and director fees (Note 12)	114,000	88,375	216,000	170,500
Office and general	175,976	116,263	332,934	227,217
Professional fees (Note 12)	110,523	164,137	188,213	296,668
Share-based payment (Notes 10 and 12)	1,463,076	1,118,323	3,175,345	1,211,961
Shareholder communications and investor relations	95,425	26,304	126,064	37,125
Transfer agent and filing fees	27,316	12,709	46,992	24,046
Travel	53,161	18,835	77,284	21,044
Operating loss	(2,043,983)	(1,655,922)	(4,158,120)	(2,169,377)
Unrealized loss on fair value of derivative contract (Note 9)	(51,138)	-	(14,587)	-
Royalty income (Note 5)	248,728	371,059	588,075	603,536
	197,590	371,059	573,488	603,536
Loss for the period	(1,846,393)	(1,284,863)	(3,584,632)	(1,565,841)
Unrealized gain (loss) on fair value of marketable securities (Note 4(a))	(112,025)	(196,043)	-	56,013
Loss and comprehensive loss for the period	$ (1,958,418)	$ (1,480,906)	$ (3,584,632)	$ (1,509,828)
Loss and comprehensive loss attributable to:				
Equity holders of the Company	$ (2,001,404)	$ (1,458,628)	$ (3,598,829)	$ (1,459,225)
Non-controlling interest (Note 11)	42,986	(22,278)	14,197	(50,603)
	$ (1,958,418)	$ (1,480,906)	$ (3,584,632)	$ (1,509,828)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	192,221,593	167,275,996	191,320,521	160,259,933

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

OROCO RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital			Reserves				
	Number	Amount	Share subscriptions received in advance	Other comprehensive income (loss)	Stock option and warrant	Deficit	Non-controlling interest	Total
		$	$	$	$	$	$	$
May 31, 2020	147,367,405	35,081,553	-	(208,258)	3,259,540	(18,203,666)	7,152,789	27,081,958
Shares issued for cash	17,600,000	8,910,000	-	-	-	-	-	8,910,000
Share issue costs	-	(477,994)	-	-	392,120	-	-	(85,874)
Shares issued for option exercises	2,805,000	571,427	-	-	(218,301)	-	-	353,126
Shares issued for warrant exercises	4,375,200	1,648,034	-	-	-	-	-	1,648,034
Share subscriptions received in advance	-	-	7,511,954	-	-	-	-	7,511,954
Unrealized gain on fair value of marketable securities	-	-	-	56,013	-	-	-	56,013
Share-based payment	-	-	-	-	1,211,961	-	-	1,211,961
Loss for the period	-	-	-	-	-	(1,515,238)	(50,603)	(1,565,841)
November 30, 2020	172,147,605	45,733,020	7,511,954	(152,245)	4,645,320	(19,718,904)	7,102,186	45,121,331
May 31, 2021	189,068,886	63,754,078	138,650	(152,245)	6,773,775	(20,176,091)	3,391,014	53,729,181
Shares issued for option exercises	1,455,000	692,605	(55,000)	-	(292,730)	-	-	344,875
Shares issued for warrant exercises	2,759,957	2,794,514	(83,650)	-	(1,971)	-	-	2,708,893
Unrealized gain on fair value of marketable securities	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	3,175,345		-	3,175,345
Loss for the period	-	-	-	-	-	(3,598,829)	14,197	(3,584,632)
November 30, 2021	193,283,843	67,241,197	-	(152,245)	9,654,419	(23,774,920)	3,405,211	56,373,662

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

OROCO RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)
For the Six Months Ended November 30,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (3,584,632)	$ (1,565,841)
Adjusted for items not involving cash:		
Depreciation	71,106	340
Royalty income	(588,075)	(603,536)
Foreign exchange	(41,168)	25,103
Share-based payment	3,175,345	1,211,961
Unrealized loss on fair value of derivative contract	14,587	-
Changes in working capital items:		
Receivables	(8,565)	(22,774)
Prepaid expenses and advances	(55,791)	(273,965)
Accounts payable and accrued liabilities	(109,128)	(162,093)
Net cash used in operating activities	(1,126,321)	(1,390,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(6,209,650)	(2,155,961)
Royalty income	1,072,117	450,023
Equipment	(2,578,056)	-
Net cash used in investing activities	(7,715,589)	(1,705,938)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement shares issued	-	8,910,000
Proceeds from exercise of options	344,875	353,126
Proceeds from exercise of warrants	2,708,893	1,648,034
Share subscriptions received in advance	-	7,511,954
Share issue cost	-	(85,874)
Net cash provided by financing activities	3,053,768	18,337,240
Change in cash	(5,788,142)	15,240,497
Cash, beginning of period	20,310,252	407,226
Cash, end of period	$ 14,522,110	$ 15,647,723

Supplemental cash flow information (Note 13)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Oroco Resource Corp. (the "Company") was incorporated on July 7, 2006 under the Business Corporations Act of British Columbia and is an exploration stage business engaged in the acquisition and exploration of mineral properties in Mexico. The Company is listed on the TSX Venture Exchange (the "TSX-V"). The Company's head office and principal address is located at #1201 - 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

The Company has not yet determined whether its exploration and evaluation assets contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for exploration and evaluation assets and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the mineral properties and upon future profitable production or proceeds from the disposition thereof. Management estimates it will have sufficient funds to operate for the upcoming twelve months.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

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 results of operations or its ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"s). They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2021, prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized by the Audit Committee and Board of Directors of the Company on January 28, 2022.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value.

2. BASIS OF PRESENTATION (cont'd…)

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiaries.

Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities which the Company controls, either directly or indirectly, where control is defined as the power to govern an entity's financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. All inter-company transactions and balances have been eliminated upon consolidation. The Company's subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Percentage of Ownership	Principal Activity
Minera Xochipala S.A. de C.V. ("MX")	Mexico	100%	Exploration in Mexico
Xochipala Gold S.A. de C.V. ("XG")	Mexico	86%	Exploration in Mexico
0973496 B.C. Ltd.	Canada	100%	Holding company
Altamura Copper Corp. ("Altamura")	Canada	100%	Holding company

The Company also holds: an inactive, nominal company incorporated in Canada; a majority interest in Aztec Copper Inc. ("Aztec"), an inactive subsidiary incorporated in the United States and its subsidiary, Prime Aztec Mexicana, S.A. de C.V. an inactive subsidiary incorporated in Mexico; a 100% interest in Desarrollos Copper, S.A. de C.V. ("Desarrollos"), an inactive subsidiary incorporated in Mexico; and a 50% interest in Ruero International Ltd. ("Ruero"), an inactive subsidiary incorporated in the Bahamas.

Significant estimates

The preparation of these condensed interim consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

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:

Share-based payment - 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. Changes in the input assumptions can materially affect the fair value estimate of stock options.

Valuation of marketable securities - The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

The carrying value and the recoverability of exploration and evaluation assets - Management has determined that exploration, evaluation and related 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, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Valuation of production royalty - The Company is entitled to royalty income as disclosed in Note 5. The Company has estimated the value of the production royalty to be $nil due to lack of certainty of future ongoing production and values.

Significant judgments

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

Determination of functional currency - The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended May 31, 2021.

New standards, interpretations and amendments to existing standards not yet effective

There are no new standards or amendments to standards and interpretations issued by the IASB that are not yet effective that would be expected to have a material impact on the consolidated financial statements of the Company.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

During the six months ended November 30, 2021, the Company sold nil (2020 - nil) Goldgroup Mining Inc. ("Goldgroup") shares. As at November 30, 2021, the Company owned 5,601,250 (May 31, 2021 - 5,601,250) Goldgroup shares with a fair value of $196,044 (May 31, 2021 - $196,044). The change in market value of the shares resulted in the recording of other comprehensive gain of $nil for the six months ended November 30, 2021 (2020 - $56,013).

The Company owns 375,000 common shares, at a cost of $75,000, in a private British Columbia company ("BC Co."), related by virtue of a common director, which provides satellite based, geological services to the mining and other industries, which services are able to identify, model and monitor subsurface geological structures. Cost is considered to approximate fair value.

	Goldgroup		BC Co.		Total
	Number	Amount	Number	Amount	Amount
May 31, 2020	5,601,250	$ 140,031	375,000	$ 75,000	$ 215,031
Fair value adjustment	-	56,013	-	-	56,013
May 31, 2021	5,601,250	196,044	375,000	75,000	271,044
Fair value adjustment	-	-	-	-	-
November 30, 2021	5,601,250	$ 196,044	375,000	$ 75,000	$ 271,044

5. CERRO PRIETO ROYALTY

Pursuant to the sale of the Company's interest in the Cerro Prieto Property to Goldgroup in fiscal 2013, Goldgroup agreed to pay to the Company a production royalty (the "Production Royalty") quarterly in arrears. The Production Royalty, payable for each month in which the monthly average of the daily PM London gold fix is in excess of US$1,250 per ounce, is calculated at the rate of 20% of the dollar value of that excess for each ounce of gold produced from the property during that month, to a maximum royalty of US$90 per ounce. This Production Royalty will be payable for each ounce of the first 90,000 ounces of gold produced from the Property (approximately 82,000 ounces have been produced as at November 30, 2021).

During the six months ended November 30, 2021, the Company recorded $588,075 (2021 - $603,536) in royalty revenue.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2021	$ 31,879,628	$ 426,639	$ 32,306,267
Deferred exploration expenditures			
Camp	19,586	-	19,586
Community relations	135,404	-	135,404
Engineering and modelling	100,333	-	100,333
Fieldwork, physical	646,056	-	646,056
Fieldwork, technical	3,232,158	-	3,232,158
Health, safety, and risk management	3,034	-	3,034
Laboratory	132,568	-	132,568
Logistics and support	1,771,637	-	1,771,637
Property maintenance	305,602	5,497	311,099
Technical and project management	16,000	-	16,000
VAT	1,179,222	1,235	1,180,457
	7,541,600	6,732	7,548,332
November 30, 2021	$ 39,421,228	$ 433,371	$ 39,854,599

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2020	$ 26,982,978	$ 412,291	$ 27,395,269
Acquisition costs			
Cash	26,194	-	26,194
	26,194	-	26,194
Deferred exploration expenditures			
Camp	402,828	-	402,828
Community relations	161,417	-	161,417
Engineering and modelling	172,105	-	172,105
Environmental	6,835	-	6,835
Fieldwork, physical	177,024	-	177,024
Fieldwork, technical	1,514,172	-	1,514,172
Health, safety, and risk management	30,658	-	30,658
Logistics and support	1,236,496	-	1,236,496
Property maintenance	523,517	11,604	535,121
Technical and project management	142,330	-	142,330
VAT (net of recoveries)	503,074	2,744	505,818
	4,870,456	14,348	4,884,804
May 31, 2021	$ 31,879,628	$ 426,639	$ 32,306,267

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(a) Santo Tomas Properties, Sinaloa State, Mexico

Papago 17, La China II and AMP Santo Tomas Red 1 Concessions

The Company, through MX, holds a 77.5% interest in each of the Papago 17, La China II and AMP Santo Tomas Red 1 concessions (collectively, the "Santo Tomas Properties") which are contiguous to the concessions held by XG which cover the known core of the Santo Tomas mineralized structure (the "Core Concessions"). The Santo Tomas Properties were acquired for a total cash payment of $47,247 and the issuance of 2,000,000 common shares, valued at $240,000. All three concessions comprising the Santo Tomas Properties are subject to a 2% net smelter royalty ("NSR").

Rossy Concession

In fiscal 2020, the Company, through MX, entered into a letter agreement (the "Rossy Agreement") for the acquisition of an 80% interest in the Rossy mineral concession, which is also contiguous to the Santo Tomas Properties (hereafter included within the term "Santo Tomas Properties"). Following the approval by Mexican tax authorities of a payment plan for the payment by the vendor of accrued concession duties (approved), the Company and the vendor will enter into and register a formal agreement for the transfer of the interest to the Company, pursuant to which the Company will pay the balance of the consideration of US$125,000, to be paid over two years (US$20,000 paid), issue 300,000 common shares, and agree to the granting to third parties of an aggregate 1.5% NSR.

Papago Fraccion 1 Concession

In fiscal 2021, the Company, through MX, entered into an agreement (the "Papago Fracc 1 Agreement") for the acquisition of an 80% interest in the Papapgo Fraccion 1 mineral concession, which is also contiguous to the Santo Tomas Properties (hereafter included within the term "Santo Tomas Properties") for $5,000 and the granting of an aggregate 1.5% NSR. The Company will pay the cash consideration within 10 days of registration of the Company's interest in the Papago Fracc 1 concession with the Mexican Public Registry of Mining.

Core Concessions

In fiscal 2019, the Company entered into a purchase agreement ("Data Agreement"), as amended, pursuant to which the Company acquired geological data, analysis and models related to the Santo Tomas Properties and the Core Concessions in consideration for 500,000 common shares, valued at $137,500, and US$500,000, to be paid by way of one payment of US$50,000 at the time of signing the agreement (paid), a second payment of US$50,000 (paid) and a final payment of US$400,000. The final payment of US$400,000 payment is due upon the direct or indirect sale, assignment or transfer of the Core Concessions to a third party.

XG holds a registered 100% interest in the Core Concessions. The registration of this interest had previously been impeded by a 2016 judgment (the "Judgment") from a claim by Aztec and its Mexican subsidiary, Prime Aztec Mexicana, S.A. de C.V. against Compania Minera Ruero, S.A. de C.V. ("CMR"), the then registered holder of the Core Concessions, Fierce Investments Ltd. ("Fierce"), and Ruero. The Judgment and a related annotation in the Mexican Public Registry of Mining (the "PRM") were nullified in 2019. On December 20, 2019, the transfer of the Core Concessions from CMR to XG was registered in the PRM.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(a) Santo Tomas Properties, Sinaloa State, Mexico (cont'd…)

Core Concessions (cont'd…)

In fiscal 2020, the Company acquired Altamura and its related subsidiaries, whose main asset is its interest in the Core Concessions. The acquisition value attributed to the properties (exploration and evaluation assets) was $24,412,316.

In fiscal 2021, the Company acquired an additional 1% (2020 - 4%) of XG for conversion of intercompany debt of $200,000 (2020 - $1,000,000) into equity resulting in a charge to deficit of $199,440 (2020 - $885,850).

In fiscal 2021, the Company acquired an additional 14% (2020 - nil%) of XG for payment of $1,846,350 (2020 - $nil) to the arm's length, sole other shareholder of XG resulting in a charge to deficit of $1,741,919. This transaction resulted in the cancellation of the option Altamura held to to acquire all of the remaining interest in XG held by the sole other shareholder of XG. The Company now holds an 86% interest in XG.

Altamura had certain fee obligations, as amended, (the "Fee Agreement"), related to the Core Concessions as follows:

(i) US$600,000 payable within twelve months of title to the Core Concessions being registered to XG in the PRM (paid).

Altamura has certain contingent fee obligations (the "Contingent Fee Agreement"), related to the Core Concessions as follows:

(i) upon the direct or indirect sale, assignment or transfer of the Core Concessions in a transaction intended to be final disposition:
   A. pay 10% of the sale price, to a maximum of US$3,600,000, (inclusive of the first US$600,000 referred to above (paid)); and
   B. pay 1.5% of the sale price, to a maximum of US$4,100,000, of which up to $1,000,000 is payable to David Rose, an officer of the Company.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(a) Santo Tomas Properties, Sinaloa State, Mexico (cont'd…)

Core Concessions (cont'd…)

Altamura has entered into agreements pursuant to which it granted an aggregate 15% interest in the Core Concessions (the "Contractual Interest") in consideration for: i) assistance with resolving the legal challenges to XG's acquisition of registered title to the Core Concessions; ii) assistance with regard to the Company's assembly of a controlling interest in the Santo Tomas Properties, including; A) the assignment to the Company of majority interests in the Santo Tomas Properties; and (B) the right to cause the assignment to the Company of majority interests in other additional related properties; and (iii) technical and geological services. The Contractual Interest is subject to dilution down to an aggregate 10% on a pro-rata basis upon the funding of up to $30,000,000 of expenditures on the combined Core Concessions and the Santo Tomas Properties.

(b) Xochipala Property Guerrero State, Mexico

The Xochipala Property, located in Guerrero State, Mexico, is comprised of the contiguous 100% owned Celia Gene and Celia Generosa concessions. MX acquired the Xochipala Property in 2007.

(c) Salvador Property, Guerrero State, Mexico

The Salvador Property is a mining concession in Guerero State, Mexico 100% owned by MX.

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Camps	Transportation equipment	Machinery and equipment	Computer equipment	Leaseholds	Furniture and equipment	Total
Cost							
May 31, 2020	$ -	$ 15,948	$ -	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Additions	-	296,112	137,520	-	-	201,698	635,330
May 31, 2021	-	312,060	137,520	23,110	10,017	204,768	687,475
Additions	1,340,113	135,486	1,045,140	28,575	-	28,742	2,578,057
November 30, 2021	$ 1,340,113	$ 447,546	$1,182,660	$ 51,685	$ 10,017	$ 204,768	$3,265,532
Depreciation							
May 31, 2020	$ -	$ 12,301	$ -	$ 22,709	$ 9,243	$ 2,864	$ 47,117
Charge for the year	-	26,187	6,165	120	155	41	32,668
May 31, 2021	-	38,488	6,165	22,829	9,398	2,905	79,785
Charge for the period	15,457	39,702	13,603	2,185	62	97	71,106
November 30, 2021	$ 15,457	$ 78,190	$ 19,768	$ 25,014	$ 9,460	$ 3,002	$ 150,891
Net book value							
May 31, 2021	$ -	$ 273,572	$ 131,355	$ 281	$ 619	$ 201,863	$ 607,690
November 30, 2021	$ 1,324,656	$ 369,356	$1,162,892	$ 26,671	$ 557	$ 230,508	$3,114,640

During the six months ended November 30, 2021, depreciation of $70,822 (2020 - $nil) was attributed to logistics and support within exploration and evaluation assets. The Company rents office space under an operating lease, included in office and general, with monthly payments of $6,100.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	November 30, 2021	May 31, 2021
Accounts payable	$ 2,030,157	$ 584,040
Accrued liabilities	323,574	540,137
	$ 2,353,731	$ 1,124,177

9. DERIVATIVE LIABILITY

The Company has hedged a total of 15,460,000 Mexican Pesos ($1,000,000) in a contract maturing in 2023, which hedges a portion of the forecast Mexican Peso denominated operating costs of the Company's Mexican subsidiaries. For the six months ended November 30, 2021 the Company recorded a $14,587 (2020 - $nil) unrealized loss associated with a decrease in the fair value of the derivative contact and a corresponding increase in derivative liability. As of November 30, 2021, the Company has paid $97,000 (May 31, 2021 - $97,000) as a deposit on the margin account in connection with the derivative contract.

10. SHARE CAPITAL AND RESERVES

Authorized

An unlimited number of common shares without par value.

Issued share capital

During the six months ended November 30, 2021, the Company issued:
i. 692,605 common shares, pursuant to the exercise of options, for proceeds of $399,875; and
ii. 2,759,957 common shares, pursuant to the exercise of warrants, for proceeds of $2,792,542.

During the six months ended November 30, 2020, the Company issued:
i. 12,100,000 units at a price of $0.60 per unit by way of a private placement for total proceeds of $7,260,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of $0.90 per common share, for a period of 24 months from the date of issue. The Company paid a total of $54,719 in cash for fees and issued 575,000 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.60 per common share, for a period of 24 months from the date of issue. The finder's warrants were valued at $381,732, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 0.26%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 100%;
ii. 5,500,000 units at a price of $0.30 per unit by way of a private placement for total proceeds of $1,650,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of $0.42 per common share, for a period of 24 months from the date of issue. The Company paid a total of $31,155 in cash for fees and issued 40,800 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.42 per common share, for a period of 24 months from the date of issue. The finder's warrants were valued at $10,388, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 0.28%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 92%;
iii. 2,805,000 common shares, pursuant to the exercise of options, for proceeds of $353,126; and
iv. 4,375,200 common shares, pursuant to the exercise of warrants, for proceeds of $1,648,034.

Share subscriptions received in advance

As at November 30, 2021, included in cash was $nil (May 31, 2021 - $55,000) for options exercises received in advance and $nil (May 31, 2021 - $83,650) for warrant exercises received in advance.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, outstanding as at May 31, 2020	6,199,000	$ 0.45
Issued	16,005,000	1.09
Exercised	(7,708,081)	0.54
Expired	(12,500)	0.32
Balance, outstanding as at May 31, 2021	14,483,419	1.11
Exercised	(2,759,957)	1.01
Balance, outstanding as at November 30, 2021	11,723,462	$ 1.14

Warrants outstanding as at November 30, 2021 are as follows:

Number of warrants	Exercise price	Weighted average remaining life (years)	Expiry date
253,000	$ 0.42	0.28	March 11, 2022
1,186,465	$ 0.42	0.58	June 30, 2022
4,470,882	$ 0.90	0.79	September 15, 2022
575,000	$ 0.60	0.79	September 15, 2022
5,118,115	$ 1.60	1.02	December 9, 2022
120,000	$ 1.20	1.02	December 9, 2022
11,723,462			

Stock options

The Company has a rolling stock option plan, whereby from time to time, at the direction of the Board of Directors, stock options may be granted to employees, consultants, directors and officers. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant. Options may be granted for a maximum of five years and vesting is determined by the Board of Directors.

During the six months ended November 30, 2021, a total of 275,000 (2020 - 2,600,000) stock options were granted to certain officers, directors, and consultants of the Company with a fair value of $356,616 (2020 - $1,269,034) using the Black-Scholes option pricing model. During the six months ended November 30, 2021, the Company recognized $3,175,345 (2020 - $1,211,961) as share-based payment for the fair value of the stock options.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options (cont'd…)

The fair value of options granted was estimated on the grant date using the Black-Scholes option pricing model with weighted average assumptions as follows:

	For the six months ended November 30, 2021	For the six months ended November 30, 2020
Risk-free interest rate	0.62%	0.27%
Expected option life in years	3.0	3.0
Expected stock price volatility	82%	99%
Expected forfeiture rate	0%	0%

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, outstanding as at May 31, 2020	5,950,000	$ 0.22
Granted	7,475,000	2.24
Exercised	(3,455,000)	0.15
Balance, outstanding as at May 31, 2021	9,970,000	1.75
Granted	275,000	2.64
Exercised	(1,455,000)	0.27
Balance, outstanding as at November 30, 2021	8,790,000	$ 2.03
Balance, exercisable as at November 30, 2021	5,553,750	$ 1.51

Options outstanding as at November 30, 2021 are as follows:

Number of options	Number of exercisable options	Exercise price	Weighted average remaining life (years)	Expiry date
300,000	300,000	$ 0.550	0.49	May 28, 2022
300,000	300,000	$ 0.250	1.33	April 1, 2023
440,000	380,000	$ 0.300	1.42	May 1, 2023
200,000	150,000	$ 0.500	1.59	July 2, 2023
2,400,000	2,400,000	$ 0.750	1.77	September 8, 2023
300,000	112,500	$ 1.960	2.25	March 1, 2024
150,000	60,000	$ 1.960	2.34	April 1, 2024
4,425,000	1,770,000	$ 3.150	2.44	May 10, 2024
50,000	25,000	$ 3.250	2.51	June 2, 2024
225,000	56,250	$ 3.250	2.51	June 2, 2024
8,790,000	5,553,750			

(Expressed in Canadian Dollars)

11. NON-CONTROLLING INTEREST

On March 2, 2020, the Company acquired 67% of XG, through the acquisition of Altamura. In fiscal 2021, the Company acquired an additional 15% (2020 - 4%) of XG for total ownership as at November 30, 2021 of 86% (May 31, 2021 - 86%).

As at November 30, 2021, the equity attributable to the 14% (May 31, 2021 - 25%) non-controlling interest in XG is as follows:

		Total
May 31, 2020	$	7,152,789
15% interest acquired		(3,787,709)
Share of income for the year		25,934
May 31, 2021		3,391,014
Share of income for the period		14,197
November 30, 2021	$	3,405,211

As at November 30, 2021 and May 31, 2021 and for the six months ended November 30, 2021 and for the year ended May 31, 2021, summarized financial information about XG is as follows:

		For the six months ended November 30, 2021		For the year ended May 31, 2021
Current assets	$	1,040,627	$	682,652
Non-current assets		36,761,810		28,563,066
Current liabilities		(1,750,428)		(390,504)
Non-current liabilities		(11,534,488)		(4,439,914)
Net income and comprehensive income for the period		102,221		93,455

12. RELATED PARTY TRANSACTIONS

The Company considers key management personnel to consist of directors and officers. The following expenses were incurred with key management personnel:

		For the six months ended November 30, 2021		For the six months ended November 30, 2020
Management and director fees	$	216,000	$	170,500
Consulting fees		9,000		9,000
Professional fees		69,000		53,500
Share-based payment		1,874,055		661,139
Total	$	2,168,055	$	894,139

As at November 30, 2021 included in accounts payable and accrued liabilities was $473,160 (May 31, 2021 - $392,415) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

		For the six months ended November 30, 2021		For the six months ended November 30, 2020
Interest paid	$	-	$	-
Taxes paid		-		-
Non-cash transactions not included in investing or financing activities				
Exploration and evaluation assets included in accounts payable	$	1,795,203	$	150,459
Allocation of fair value of options exercised		292,730		218,301
Allocation of fair value of warrants exercised		1,971		-
Allocation of share subscriptions received in advance to share capital		138,650		-
Finders' warrants issued included in share issue costs		-		392,120
Unrealized change on fair value of marketable securities		-		56,013

14. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition and exploration of exploration and evaluation assets located in Mexico. Geographic information is as follows:

As at November 30, 2021

		Canada		Mexico		Total
Equipment	$	945	$	3,113,695	$	3,114,640
Exploration and evaluation assets		-		39,854,599		39,854,599
Other assets		14,763,940		1,084,319		15,848,259
Total assets	$	14,764,885	$	44,052,613	$	58,817,498

As at May 31, 2021

		Canada		Mexico		Total
Equipment	$	1,065	$	606,625	$	607,690
Exploration and evaluation assets		-		32,306,267		32,306,267
Other assets		21,266,807		748,112		22,014,919
Total assets	$	21,267,872	$	33,661,004	$	54,928,876

15. FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity. There has been no significant change in the Company's objectives, policies and processes for managing its capital during the six months ended November 30, 2021.

15. FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (cont'd…)

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. The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

Fair value hierarchy

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.

The carrying value of cash, receivables, accounts payable and accrued liabilities, and derivative liability approximated their fair value because of the short-term nature of these instruments. Cash is measured at a level 1 of the fair value hierarchy. The Goldgroup shares recorded in marketable securities are measured at a level 1 of the fair value hierarchy and the BC Co. shares recorded in marketable securities are measured using level 3 of the fair value hierarchy. Investments classified within level 3 have significant unobservable inputs. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The investments are based on cost at time of acquisition.

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts and receivables. The bank accounts are mainly held with a major Canadian bank and this minimizes the risk to the Company. Receivables are due primarily from Goldgroup.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above. The Company monitors its ability to meet its short-term expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

15. FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (cont'd…)

Foreign Exchange Risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations, which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The effect of a 10% change in the foreign exchange rate on the monetary balances held in foreign currencies at November 30, 2021 is approximately $6,000.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Management of Industry Risk

The Company is engaged in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing as well as changes in foreign government policy. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations; however, it is not possible to be certain that all aspects of environmental issues affecting the Company, if any, have been fully determined or resolved.