

OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

FEBRUARY 28, 2018

(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 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

	February 28, 2018	May 31, 2017
ASSETS		
Current		
Cash	\$ 282,156	\$ 1,373,872
Receivables	93,486	20,982
Prepaid expenses and advances	3,995	4,915
	379,637	1,399,769
Advance to associated company (Notes 6 and 9)	260,164	164,556
Available for sale securities (Note 6)	867,967	1,119,466
Exploration and evaluation assets (Note 4)	611,744	292,329
Equipment (Note 7)	7,159	8,083
	\$ 2,126,671	\$ 2,984,203
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and accrued liabilities (Note 9)	\$ 279,736	\$ 200,207
Deferred tax liability	13,443	13,443
	293,179	213,650
Shareholders' equity		
Share capital (Note 8)	17,213,847	16,973,847
Reserves (Note 8)	2,210,714	2,293,674
Deficit	(17,591,069)	(16,496,968)
	1,833,492	2,770,553
	\$ 2,126,671	\$ 2,984,203

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved on behalf of the Board:

"Craig Dalziel"

Craig Dalziel – Director

"Steve Vanry"

Steve Vanry – Director

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

OROCO RESOURCE CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	For the Three Months Ended February 28, 2018	For the Three Months Ended February 28, 2017	For the Nine Months Ended February 28, 2018	For the Nine Months Ended February 28, 2017
Expenses				
Business development	\$ 16,125	\$ 24,775	\$ 43,761	\$ 68,158
Depreciation (Note 7)	308	384	924	1,151
Consulting fees (Note 9)	16,125	17,400	47,025	52,000
Foreign currency loss (gain)	15,565	18,897	80,394	(18,017)
Management and director fees (Note 9)	59,000	60,500	184,000	182,500
Office and general	30,391	20,501	80,290	62,895
Professional fees (Note 9)	69,694	41,356	192,490	120,580
Property investigation costs	59,949	16,257	323,853	16,257
Rent	19,527	13,746	55,427	45,424
Share-based payment (Note 8)	7,205	-	144,059	-
Shareholder communications and investor relations	370	-	18,424	300
Transfer agent and filing fees	5,476	7,132	14,620	21,297
Travel	-	-	17,845	-
Operating loss	(299,735)	(220,948)	(1,203,112)	(552,545)
Interest income	-	-	-	41,941
Gain on sale of available for sale securities (Note 6)	3,111	-	5,216	511,103
Gain on settlement of accounts payable	-	42,161	-	42,161
Royalty revenue	49,638	-	103,795	101,580
	52,749	42,161	109,011	696,785
Net income (loss) for the period	(246,986)	(178,787)	(1,094,101)	144,240
Gain (loss) on fair value of available for sale securities	35,396	(68,703)	(227,019)	(765,446)
Comprehensive loss for the period	\$ (211,590)	\$ (247,490)	\$ (1,109,530)	\$ (621,206)
Basic and diluted income (loss) per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ 0.00
Weighted average number of common shares outstanding - basic and diluted	77,949,579	77,947,405	77,948,138	77,947,405

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			Total
	Number	Amount	Other comprehensive income	Stock options and warrants	Deficit	
		\$	\$	\$	\$	\$
May 31, 2016	77,947,405	16,973,847	1,128,328	2,110,254	(16,341,599)	3,870,830
Loss on fair value of available for sale securities	-	-	(765,446)	-	-	(765,446)
Income for the period	-	-	-	-	144,240	144,240
February 28, 2017	<u>77,947,405</u>	<u>16,973,847</u>	<u>362,882</u>	<u>2,110,254</u>	<u>(16,197,359)</u>	<u>3,249,624</u>
May 31, 2017	77,947,405	16,973,847	183,420	2,110,254	(16,496,968)	2,770,553
Shares issued for acquisition of exploration and evaluation assets	2,000,000	240,000	-	-	-	240,000
Loss on fair value of available for sale securities	-	-	(227,019)	-	-	(227,019)
Share-based payment (Note 8)	-	-	-	144,059	-	144,059
Loss for the period	-	-	-	-	(1,094,101)	(1,094,101)
February 28, 2018	<u>79,947,405</u>	<u>17,213,847</u>	<u>(43,599)</u>	<u>2,254,313</u>	<u>(17,591,069)</u>	<u>1,833,492</u>

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 Nine Months Ended February 28, 2018	For the Nine Months Ended February 28, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ (1,094,101)	\$ 144,240
Adjusted for items not involving cash:		
Depreciation	924	1,151
Gain on sale of available for sale securities	(5,216)	(511,103)
Gain on settlement of accounts payable	-	(42,161)
Accrued royalty income	(103,795)	(5,614)
Foreign exchange gain	(1,369)	(14,322)
Share-based payment	144,059	-
Changes in working capital items:		
Receivables	(4,827)	(238,987)
Prepaid expenses and advances	920	3,714
Trade payables and accrued liabilities	79,564	(29,899)
Net cash used in operating activities	(983,841)	(692,981)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(79,450)	(29,788)
Royalty revenue	37,487	103,911
Interest income on first note receivable	-	17,010
First note receivable	-	1,451,173
Advance to associated company	(95,608)	-
Acquisition of available for sale securities	(22,280)	(221,524)
Proceeds on sale of available for sale securities	51,976	679,394
Net cash provided by (used in) investing activities	(107,875)	2,000,176
Change in cash	(1,091,716)	1,307,195
Cash, beginning of period	1,373,872	407,127
Cash, end of period	\$ 282,156	\$ 1,714,322

Supplemental cash flow information (Note 11)

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

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

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 in the business of acquiring, exploring and developing exploration and evaluation assets 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 is in the exploration stage and has not yet determined whether these exploration and evaluation assets contain reserves that are economically recoverable. 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.

The Company's exploration and evaluation assets consist of the Xochipala and Salvador properties in Guerrero State, Mexico. The outlook for the Company is tied to realizing on the value of its exploration and evaluation assets and available for sale securities, raising the financing necessary to maintain operations thereafter, and ultimately on generating future profitable operations. The Company estimates it has sufficient working capital to fund operations for the upcoming year.

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 IFRS 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, 2017, 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 April 30, 2018.

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.

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.

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

2. BASIS OF PRESENTATION (cont'd...)**Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. 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. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

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

The Company also holds an inactive, nominal company incorporated in Canada.

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 available for sale 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.

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.

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

2. BASIS OF PRESENTATION (cont'd...)

Significant estimates (cont'd...)

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 the 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.

Recovery of deferred tax assets - Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. The Company has not recorded any deferred tax assets.

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, 2017, except as noted below.

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective June 1, 2017:

IFRS 7, Financial instruments: disclosures

Amendments to IFRS 7 related to the application of IFRS 9, *Financial Instruments*.

The adoption of this standard did not have an impact on these condensed interim consolidated financial statements.

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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

The following standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial instruments

This standard was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income.

IFRS 15, Revenue from contracts with customers

This standard deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The following standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning on or after January 1, 2019:

IFRS 16, Leases

This standard sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. It eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The Company has not yet assessed the potential impact of the application of these standards, nor determined whether it will adopt the standards early.

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

4. EXPLORATION AND EVALUATION ASSETS

	Santo Thomas Properties	Xochipala Property	Total
Balance at May 31, 2017	\$ -	\$ 292,329	\$ 292,329
Acquisition costs:			
Cash	47,247	-	47,247
Shares issued	240,000	-	240,000
	287,247	-	287,247
Deferred exploration expenditures:			
Geologists	-	22,803	22,803
IVA	-	3,648	3,648
Lease payments, assessment fees and taxes	-	5,717	5,717
	-	32,168	32,168
Balance at February 28, 2018	\$ 287,247	\$ 324,497	\$ 611,744

	Xochipala Property	Total
Balance at May 31, 2016	\$ 250,355	\$ 250,355
Deferred exploration expenditures:		
Geologists	31,955	31,955
IVA	5,113	5,113
Lease payments, assessment fees and taxes	4,906	4,906
	41,974	41,974
Balance at May 31, 2017	\$ 292,329	\$ 292,329

(a) Xochipala Property Guerrero State, Mexico

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

(b) Salvador Property, Guerrero State, Mexico

The Salvador Property is a mining concession 100% owned by Minera Xochipala.

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)**(c) Santo Tomas Properties, Sinaloa State, Mexico**

In February, 2018, the Company acquired a 77.5% interest in each of the La China II and the AMP Santo Tomas Red 1 concessions and in an application for the Papago 17 concession (the "Santo Tomas Properties") all of which abut and surround the concessions which cover the known core of the Santo Tomas mineralized structure the "Core Concessions"). The Santo Thomas 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 concession are subject to a 2% net smelter royalty. Registration of the interest in the AMP Santo Tomas Red 1 concession remains subject to the success of the vendor's appeal of the cancellation of the concession on the grounds that notice of the deficiency and cancellation were not properly served. Delivery of the 2,000,000 shares to the vendor of the AMP Santo Tomas Red 1 concession is subject to successful registration of the Company's interest.

The Company also holds a 13.6% equity interest and an option to acquire an additional 6.4% equity interest in Altamura Copper Corp. ("Altamura"), a British Columbia company. Altamura holds an un-registered interest in the Core Concessions, which interest is subject to a legal dispute between the vendor of the interest and a third party.

5. SALE OF CERRO PRIETO PROPERTY

On August 30, 2013, the Company sold its interest in the Cerro Prieto Property to Goldgroup Mining Inc. ("Goldgroup") by way of the sale of the Company's then wholly owned subsidiary, Minera Polimetalicos Mexicanos, S.A. ("Polimetalicos") and assignment of the 2% (two percent) net smelter returns royalty payable.

In addition to cash, promissory notes (an interest bearing first note in the amount of US\$1,500,000, valued on the date of receipt as \$nil, and a non-interest bearing Second Note in the amount of US\$4,125,000) and share consideration paid by Goldgroup to the Company, 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 and every ounce of the greater of:

- i) the first 90,000 ounces of gold produced from the Property; and
- ii) all ounces of gold produced from the Property until the completion of five full years of commercial production, which period commenced on March 1, 2014.

During the nine months ended February 28, 2018, the Company accrued or received \$54,157 (2016 - \$101,580) in royalty revenue.

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

6. AVAILABLE FOR SALE SECURITIES

Pursuant to the sale of the Cerro Prieto Property, the Company received 5,500,000 shares of Goldgroup. Pursuant to the VAT Assignment Agreement, the Company received an additional 2,409,025 shares of Goldgroup (Note 5), and, pursuant to the settlement of the Second Note, the Company received an additional 16,500,000 shares of Goldgroup.

Pursuant to a Shares for Debt Agreement, the Company received 3,400,975 shares of Goldgroup, with a fair value on grant of \$255,073 in settlement of \$204,059 (US\$145,000) of the outstanding principal owing on the First Note, resulting in a gain on recovery of \$51,015 in fiscal 2016.

During the nine months ended February 28, 2018, the Company sold 752,000 (February 28, 2017 - 2,706,500) of the Goldgroup shares resulting in a gain on sale of \$5,216 (February 28, 2017 - \$511,103). As at February 28, 2018, the remaining shares had a fair value of \$321,269 (May 31, 2017 - \$593,393), resulting in other comprehensive loss of \$225,364 (February 28, 2017 - \$765,446).

The Company owns 425,000 common shares (13.6% of the issued and outstanding equity), at a cost of \$451,073, in Altamura, a company related by virtue of a director and officer of the Company and a member of the Company's management collectively having significant influence in Altamura. Altamura has a un-registered interest in mineral concessions in Mexico (the "Interest"), which Interest is subject to a legal dispute between the vendor of the Interest and a third party. During the nine months ended February 28, 2018, the Company advanced \$95,608 (February 28, 2017 - \$162,311) on behalf of Altamura and received \$nil (February 28, 2017 - \$51,974), for total outstanding advances of \$260,164 (the "Advances"). Pursuant to an agreement with Altamura dated September 26, 2017, as amended, the Company holds an option to convert the Advances into shares of Altamura (the "Share Option") at a price of US\$0.80 per share, to a maximum of 250,000 shares. Exercise of the Share Option for all 250,000 shares would result in the Company holding 675,000 common shares. The term of the Share Option has been extended to May 31, 2018. The Advances are secured by the Interest. Subsequent to February 28, 2018, the Company advanced a further \$11,428, bringing the total Advances to \$271,592. ,

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

During the nine months ended February 28, 2018, the Company purchased 75,000 (February 28, 2017 - nil) shares of Core Gold Inc., a publicly traded company at a cost of \$22,280 (February 28, 2017 - nil). As at February 28, 2018, the shares had a fair value of \$20,625 (May 31, 2017 - \$nil), resulting in other comprehensive loss of \$1,655 (February 28, 2017 - \$nil).

	Goldgroup		Altamura		BC Co	
	Number	Amount	Number	Amount	Number	Amount
May 31, 2016	9,576,750	\$ 1,723,815	300,000	\$ 304,550	-	\$ -
Additions	-	-	125,000	146,523	375,000	75,000
Disposals	(2,983,500)	(185,514)	-	-	-	-
Fair value adjustment	-	(944,908)	-	-	-	-
May 31, 2017	6,593,250	593,393	425,000	451,073	375,000	75,000
Additions	-	-	-	-	-	-
Disposals	(752,000)	(46,760)	-	-	-	-
Fair value adjustment	-	(225,364)	-	-	-	-
February 28, 2018	5,841,250	\$ 321,269	425,000	\$ 451,073	375,000	\$ 75,000

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

7. EQUIPMENT

	Automotive equipment	Computer equipment	Leaseholds	Office furniture	Total
Cost:					
May 31, 2016	\$ 15,948	\$ 23,110	\$ 10,017	\$ 3,070	\$ 52,145
Additions	-	-	-	-	-
May 31, 2017	15,948	23,110	10,017	3,070	52,145
Additions	-	-	-	-	-
February 28, 2018	\$ 15,948	\$ 23,110	\$ 10,017	\$ 3,070	\$ 52,145
Depreciation:					
May 31, 2016	\$ 10,388	\$ 21,444	\$ 8,127	\$ 2,569	\$ 42,528
Charge for the year	557	499	378	100	1,534
May 31, 2017	10,945	21,943	8,505	2,669	44,062
Charge for the period	375	262	227	60	924
February 28, 2018	\$ 11,320	\$ 22,205	\$ 8,732	\$ 2,729	\$ 44,986
Net book value:					
May 31, 2017	\$ 5,003	\$ 1,167	\$ 1,512	\$ 401	\$ 8,083
February 28, 2018	\$ 4,628	\$ 905	\$ 1,285	\$ 341	\$ 7,159

8. SHARE CAPITAL AND RESERVES**Authorized**

An unlimited number of common shares without par value.

Issued share capital

During the nine months ended February 28, 2018, the Company issued 2,000,000 common shares, valued at \$240,000, pursuant to the acquisition of the Santo Tomas Property (Note 4).

During the nine months ended February 28, 2017, there was no share capital activity.

Warrants

During the nine months ended February 28, 2018 and 2017, there were no warrants outstanding.

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

8. SHARE CAPITAL AND RESERVES (cont'd...)**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. The options may be granted for a maximum of five years with vesting determined by the Board of Directors.

During the nine months ended February 28, 2018, a total of 4,900,000 (2017 - nil) stock options were granted to certain officers, directors and consultants of the Company with a fair value of \$149,976 (2017 - \$nil) using the Black-Scholes option pricing model. The Company expensed \$144,059 (2017 - \$nil) as share-based payment.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following variables:

	For the Nine Months Ended February 28, 2018	For the Nine Months Ended February 28, 2017
Risk-free interest rate	1.32%	-
Expected option life in years	3.0 years	-
Expected stock price volatility	147%	-
Expected forfeiture rate	0%	-

	Number of Stock Options	Weighted Average Exercise Price
Balance, outstanding as at May 31, 2017	-	\$ -
Granted	4,900,000	0.075
Balance, outstanding as at February 28, 2018	4,900,000	\$ 0.075
Balance outstanding and exercisable as at February 28, 2018	4,525,000	\$ 0.075

The following table summarizes information about stock options outstanding at February 28, 2018:

Number of options	Number of exercisable options	Exercise price \$	Weighted average remaining life (years)	Expiry date
3,750,000	3,750,000	0.075	2.70	August 11, 2020
150,000	150,000	0.075	2.80	September 18, 2020
500,000	125,000	0.075	2.80	September 18, 2020
500,000	500,000	0.075	2.90	October 24, 2020
4,900,000	4,400,000			

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

8. SHARE CAPITAL AND RESERVES (cont'd...)**Reserves**

At February 28, 2018, the Company had a Stock Option and Warrant Reserve balance of \$2,254,313 (February 28, 2017 - \$2,110,254) consisting of warrant valuations on warrants attached to various private placements and share-based payment associated with stock option grants to employees, consultants, directors and officers.

At February 28, 2018, the Company had an Other Comprehensive Income (Loss) balance of \$(43,599) (February 28, 2017 - \$362,882).

9. 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 Nine Months Ended February 28, 2018	For the Nine Months Ended February 28, 2017
Management and director fees	\$ 184,000	\$ 182,500
Consulting fees	16,200	16,000
Professional fees	76,500	76,500
Share-based payment	67,543	-
Total	\$ 344,243	\$ 275,000

As at February 28, 2018 included in accounts payable and accrued liabilities was \$191,789 (May 31, 2017 - \$142,525) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

As at February 28, 2018, the Company has made advances totalling \$260,164 (May 31, 2017- \$164,556) to Altamura (Note 6). Subsequent to February 28, 2018, the Company advanced a further \$11,428.

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

10. 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 February 28, 2018

	Canada	Mexico	Total
Equipment	\$ 2,513	\$ 4,628	\$ 7,159
Exploration and evaluation assets	-	611,744	611,744
Other assets	1,497,562	10,206	1,507,768
Total assets	\$ 1,500,093	\$ 626,578	\$ 2,126,671

As at May 31, 2017

	Canada	Mexico	Total
Equipment	\$ 3,080	\$ 5,003	\$ 8,083
Exploration and evaluation assets	-	292,329	292,329
Other assets	2,666,926	16,865	2,683,791
Total assets	\$ 2,670,006	\$ 314,197	\$ 2,984,203

11. SUPPLEMENTAL CASH FLOW INFORMATION

	For the Nine Months Ended February 28, 2018	For the Nine Months Ended February 28, 2017
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -
Non-cash transactions not included in investing or financing activities		
Exploration and evaluation assets included in accounts payable	\$ 2,970	\$ 6,017
Shares issued for acquisition of exploration and evaluation assets	\$ 240,000	\$ -
Allocation of amount from receivables to first note receivable	\$ -	\$ 386,627
Unrealized loss on fair value of available for sale securities	\$ 227,019	\$ 765,446

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

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For the nine months ended February 28, 2018

12. FINANCIAL INSTRUMENT RISK AND CAPITAL

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 of shareholders' equity. There has been no significant change in the Company's objectives, policies and processes for managing its capital during the nine months ended February 28, 2018.

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 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.

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.

Management of Financial Risk

The carrying value of cash, receivables and trade payables and accrued liabilities 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 and Pub Co shares recorded in available for sale securities are measured at a level 1 of the fair value hierarchy and the Altamura and BC Co shares recorded in available for sale securities are measured using level 3 of the fair value hierarchy 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.

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2018

12. FINANCIAL INSTRUMENT RISK AND CAPITAL (cont'd...)**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. The bank accounts are mainly held with a major Canadian bank and this minimizes the risk to the Company.

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. The Company does not have investments in any asset-backed deposits.

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 Company does not invest in derivatives to mitigate these risks. The effect of a 1% change in the foreign exchange rate on the cash held in foreign currencies at February 28, 2018 is nominal.

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.

13. SUBSEQUENT EVENTS

Subsequent to February 28, 2018, the Company:

- i) provided additional advances to Altamura of \$11,428; and
- ii) raised gross proceeds of \$900,000 through the sale of 9,000,000 units at a price of \$0.10 per unit, with each unit consisting of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share for a period of 18 months from closing at a price of \$0.16 per share.