

OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

AUGUST 31, 2022

(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

	August 31, 2022	May 31, 2022
ASSETS		
Current		
Cash	\$ 16,888,495	\$ 23,026,889
Restricted cash (Note 9)	52,975	52,975
Receivables	1,188,151	839,495
Prepaid expenses and advances	598,697	549,998
Derivative asset (Note 9)	2,386	-
	<u>18,730,704</u>	<u>24,469,357</u>
Marketable securities (Note 4)	112,025	168,038
Exploration and evaluation assets (Note 6)	54,080,708	49,597,502
Equipment (Note 7)	<u>3,841,488</u>	<u>3,360,428</u>
	<u>\$ 76,764,925</u>	<u>\$ 77,595,325</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 8 and 12)	\$ 3,123,378	\$ 4,081,573
Derivative liability (Note 9)	-	1,927
	<u>3,123,378</u>	<u>4,083,500</u>
Deferred tax liability	<u>13,443</u>	<u>13,443</u>
	<u>3,136,821</u>	<u>4,096,943</u>
Shareholders' equity		
Share capital (Note 10)	85,672,998	85,250,305
Reserves (Note 10)	13,924,007	12,584,865
Deficit	(29,202,970)	(27,652,771)
Equity attributable to the Company's shareholders	<u>70,394,035</u>	<u>70,182,399</u>
Non-controlling interest (Note 11)	<u>3,234,069</u>	<u>3,315,983</u>
	<u>73,628,104</u>	<u>73,498,382</u>
	<u>\$ 76,764,925</u>	<u>\$ 77,595,325</u>

Nature of operations and going concern (Note 1)
Contingency (Note 6(a))
Subsequent events (Note 16)

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 August 31,

	2022	2021
Expenses		
Consulting fees (Note 12)	\$ 56,415	\$ 51,000
Depreciation (Note 7)	-	142
Foreign currency gain	(14,479)	(60,360)
Management and director fees (Note 12)	167,575	102,000
Office and general	143,334	156,958
Professional fees (Note 12)	65,660	77,690
Share-based payment (Notes 10 and 12)	1,399,518	1,712,269
Shareholder communications and investor relations	53,023	30,639
Transfer agent and filing fees	29,330	19,676
Travel	21,329	24,123
Operating loss	(1,921,705)	(2,114,137)
Unrealized gain on fair value of derivative contract (Note 9)	4,313	36,551
Royalty income (Note 5)	285,279	339,347
	289,592	375,898
Loss for the period	(1,632,113)	(1,738,239)
Unrealized gain (loss) on fair value of marketable securities (Note 4)	(56,013)	112,025
Loss and comprehensive loss for the period	\$ (1,688,126)	\$ (1,626,214)
Loss and comprehensive loss attributable to:		
Equity holders of the Company	\$ (1,606,212)	\$ (1,597,425)
Non-controlling interest (Note 11)	(81,914)	(28,789)
	\$ (1,688,126)	\$ (1,626,214)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	205,651,929	190,429,243

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		Share subscriptions received in advance	Reserves		Deficit	Non-controlling interest	Total
	Number	Amount		Other comprehensive income (loss)	Stock option and warrant			
		\$	\$	\$	\$	\$	\$	\$
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	600,000	286,602	(55,000)	-	(119,102)	-	-	112,500
Shares issued for warrant exercises	1,863,299	1,968,768	(83,650)	-	(1,971)	-	-	1,883,147
Unrealized gain on fair value of marketable securities	-	-	-	112,025	-	-	-	112,025
Share-based payment	-	-	-	-	1,712,269	-	-	1,712,269
Loss for the period	-	-	-	-	-	(1,709,450)	(28,789)	(1,738,239)
August 31, 2022	191,532,185	66,009,448	-	(40,220)	8,364,971	(21,885,541)	3,362,225	55,810,883
May 31, 2022	204,916,539	85,250,305	-	(255,251)	12,840,116	(27,652,771)	3,315,983	73,498,382
Shares issued for warrant exercises	977,594	422,693	-	-	(4,363)	-	-	418,330
Unrealized loss on fair value of marketable securities	-	-	-	(56,013)	-	-	-	(56,013)
Share-based payment	-	-	-	-	1,399,518	-	-	1,399,518
Loss for the period	-	-	-	-	-	(1,550,199)	(81,914)	(1,632,113)
August 31, 2022	205,894,133	85,672,998	-	(311,264)	14,235,271	(29,202,970)	3,234,069	73,628,104

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 Three Months Ended August 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,632,113)	\$ (1,738,239)
Adjusted for items not involving cash:		
Depreciation	100,282	22,750
Royalty income	(285,279)	(339,347)
Foreign exchange	(32,905)	(37,153)
Share-based payment	1,399,518	1,712,269
Unrealized gain on fair value of derivative contract	(4,313)	(36,551)
Changes in working capital items:		
Receivables	(30,472)	(21,456)
Prepaid expenses and advances	(48,699)	(326,469)
Accounts payable and accrued liabilities	(243,890)	(113,200)
Net cash used in operating activities	(777,871)	(877,396)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(5,197,511)	(2,863,110)
Royalty income	-	637,892
Equipment	(581,342)	(1,134,560)
Net cash used in investing activities	(5,778,853)	(3,359,778)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	-	112,500
Proceeds from exercise of warrants	418,330	1,883,147
Net cash provided by financing activities	418,330	1,995,647
Change in cash	(6,138,394)	(2,241,527)
Cash, beginning of period	23,079,864	20,310,252
Cash, end of period	\$ 16,941,470	\$ 18,068,725

Supplemental cash flow information (Note 13)

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)

August 31, 2022

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, 2022, 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 October 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.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2022

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
Aureum Holding Corporation	Canada	100%	Holding company

The Company also holds: 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 and compensatory warrants 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 and compensatory warrants.

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2022

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

Significant estimates (cont'd...)

Valuation of marketable securities - The Company evaluates, among other factors, 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.

Rehabilitation provisions - The Company's potential for rehabilitation provisions includes estimates of future costs directly attributable to remediating the liability, inflation, movements in foreign exchange rates, and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognized by the Company. To the extent the carrying value of the related mining property is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties.

Equipment - The carrying amounts of equipment are depreciated to their estimated residual value over the estimated economic life of the specific assets to which they relate, using the depreciations methods and rates as indicated below. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining depreciation rate. Depreciation commences on the date the asset is available for its use as intended by management.

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.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2022

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, 2022.

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.

4. MARKETABLE SECURITIES

During the three months ended August 31, 2022, the Company sold nil (2021 - nil) Goldgroup Mining Inc. ("Goldgroup") shares. As at August 31, 2022, the Company owned 560,125 (May 31, 2022 - 560,125) Goldgroup shares with a fair value of \$112,025 (May 31, 2022 - \$168,038). Goldgroup consolidated its share capital on a 10:1 basis effective September 27, 2022. All share and share amounts of Goldgroup in these financial statements reflect the 10:1 consolidation. The change in market value of the shares resulted in the recording of other comprehensive gain (loss) of \$(56,013) for the three months ended August 31, 2022 (2021 - \$112,025).

As at August 31, 2022, the Company owned 375,000 (May 31, 2022 - 375,000) common shares in a private British Columbia company ("BC Co.") with a fair value of \$nil (May 31, 2022 - \$nil). The change in market value of the shares resulted in the recording of other comprehensive loss of \$nil for the three months ended August 31, 2022 (2021 - \$nil). BC Co. is related by virtue of a common director, and provides satellite based, geological services to the mining and other industries, which services are able to identify, model and monitor subsurface geological structures.

	Goldgroup		BC Co.		Total Amount
	Number	Amount	Number	Amount	
May 31, 2021	560,125	\$ 196,044	375,000	\$ 75,000	\$ 271,044
Fair value adjustment	-	(28,006)	-	(75,000)	(103,006)
May 31, 2021	560,125	168,038	375,000	-	168,038
Fair value adjustment	-	(56,013)	-	-	(56,013)
August 31, 2022	560,125	\$ 112,025	375,000	\$ -	\$ 112,025

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"). 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 90,000 ounces have been produced as at August 31, 2022).

During the three months ended August 31, 2022, the Company recorded \$285,279 (2021 - \$339,347) in royalty income.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2022

6. EXPLORATION AND EVALUATION ASSETS

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2022	\$ 49,156,209	\$ 441,293	\$ 49,597,502
Deferred exploration expenditures			
Camp	86,515	-	86,515
Community relations	67,356	-	67,356
Engineering and modelling	211,205	-	211,205
Fieldwork, physical	467,788	-	467,788
Fieldwork, technical	1,919,094	-	1,919,094
Health, safety, and risk management	121,098	-	121,098
Logistics and support	464,880	-	464,880
Property maintenance	181,236	4,881	186,117
Technical and project management	442,175	-	442,175
VAT	516,169	809	516,978
	4,477,516	5,690	4,483,206
August 31, 2022	\$ 53,633,725	\$ 446,983	\$ 54,080,708
	Santo Tomas Properties	Xochipala Property	Total
May 31, 2021	\$ 31,879,628	\$ 426,639	\$ 32,306,267
Deferred exploration expenditures			
Camp	325,623	-	325,623
Community relations	324,921	-	324,921
Engineering and modelling	433,593	-	433,593
Fieldwork, physical	2,449,020	-	2,449,020
Fieldwork, technical	7,117,430	-	7,117,430
Health, safety, and risk management	637,917	-	637,917
Logistics and support	1,939,049	-	1,939,049
Property maintenance	751,622	11,782	763,404
Technical and project management	938,788	-	938,788
VAT	2,358,618	2,872	2,361,490
	17,276,581	14,654	17,291,235
May 31, 2022	\$ 49,156,209	\$ 441,293	\$ 49,597,502

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2022

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 an 80% interest in each of the Papago 17, La China II, Rossy 1 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 four concessions comprising the Santo Tomas Properties are subject to a 2% net smelter royalty (“NSR”). The effective interest in the concessions and NSR terms were amended subsequent to year end (Note 16).

Rossy Concession

Pursuant to a prior letter agreement, as amended, and a formal assignment agreement concluded in August, 2022, the Company, through MX, holds 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”), in consideration for US\$42,500 (paid), the agreement to grant an aggregate 1.5% NSR to third parties and 300,000 common shares. The Company issued the 300,000 common shares subsequent to August 31, 2022.

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 Papago 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

XG holds a registered 100% interest in the 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.

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2022

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. At the time of acquisition, Altamura held 100 of 150 shares of XG.

Since acquisition, the Company has acquired an additional 30 shares (25 in fiscal 2020 and 5 in fiscal 2021) for conversion of \$1,200,000 of intercompany debt into equity, and purchased a further 25 shares for payment of \$1,841,350. The Company now holds an 86% (155 shares) interest in XG.

Altamura had a fee obligations, as amended, (the "Fee Agreement"), related to the Core Concessions, of US\$600,000, payable within twelve months of title to the Core Concessions being registered to XG in the PRM (paid).

Altamura also has certain contingent fee obligations (the "Contingent Fee Agreement") related to the Core Concessions, payable upon the direct or indirect sale, assignment or transfer of the Core Concessions in a transaction intended to be final disposition, as follows:

- (i) 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
- (ii) 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.

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 Guerrero State, Mexico 100% owned by MX.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2022

7. EQUIPMENT

	Camps	Transportation equipment	Machinery and equipment	Computer equipment	Leaseholds	Furniture and equipment	Total
Cost							
May 31, 2021	\$ -	\$ 312,060	\$ 137,520	\$ 23,110	\$ 10,017	\$ 204,768	\$ 687,475
Additions	1,702,913	135,486	1,099,890	43,442	-	28,742	3,010,473
May 31, 2022	1,702,913	447,546	1,237,410	66,552	10,017	233,510	3,697,948
Additions	269,453	135,486	147,661	-	-	28,742	581,342
August 31, 2022	\$ 1,972,366	\$ 583,032	\$ 1,385,071	\$ 66,552	\$ 10,017	\$ 262,252	\$ 4,279,290
Depreciation							
May 31, 2021	\$ -	\$ 38,488	\$ 6,165	\$ 22,829	\$ 9,398	\$ 2,905	\$ 79,785
Charge for the year	52,687	99,341	76,158	6,966	619	21,964	257,735
May 31, 2022	52,687	137,829	82,323	29,795	10,017	24,869	337,520
Charge for the period	21,848	35,590	32,604	3,258	-	6,982	100,282
August 31, 2022	\$ 74,535	\$ 173,419	\$ 114,927	\$ 33,053	\$ 10,017	\$ 31,851	\$ 437,802
Net book value							
May 31, 2022	\$ 1,650,226	\$ 309,717	\$ 1,155,087	\$ 36,757	\$ -	\$ 208,641	\$ 3,360,428
August 31, 2022	\$ 1,897,831	\$ 409,613	\$ 1,270,144	\$ 33,499	\$ -	\$ 230,401	\$ 3,841,488

During the three months ended August 31, 2022, depreciation of \$100,282 (2021 - \$22,608) 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:

	August 31, 2022	May 31, 2022
Accounts payable	\$ 2,655,928	\$ 3,465,754
Accrued liabilities	467,450	615,819
	\$ 3,123,378	\$ 4,081,573

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9. DERIVATIVE LIABILITY

The Company has hedged a total of 5,460,000 (May 31, 2022 - 5,460,000) Mexican Pesos (\$353,169 (May 31, 2022 - \$353,169)) 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 three months ended August 31, 2022, the Company recorded a \$4,313 (2021 - \$36,551) unrealized gain (loss) associated with a change in the fair value of the derivative contract and a corresponding adjustment to the derivative liability. As of August 31, 2022, the Company has paid \$52,975 (May 31, 2022 - \$52,975) as a deposit on the margin account and has recorded a derivative asset (liability) of \$2,386 (May 31, 2022 - \$(1,927)) 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 three months ended August 31, 2022, the Company issued:

- i. 977,594 common shares pursuant to the exercise of warrants, for proceeds of \$418,330.

During the three months ended August 31, 2021, the Company issued:

- i. 600,000 common shares pursuant to the exercise of options, for proceeds of \$167,500; and
- ii. 1,863,299 common shares pursuant to the exercise of warrants, for proceeds of \$1,966,797

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, outstanding as at May 31, 2021	14,483,421	\$ 1.11
Issued	10,924,111	2.39
Exercised	(3,270,957)	0.93
Balance, outstanding as at May 31, 2022	22,136,575	1.77
Exercised	(977,594)	0.43
Balance, outstanding as at August 31, 2022	21,158,981	\$ 1.83

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10. SHARE CAPITAL AND RESERVES (cont'd...)**Warrants (cont'd...)**

Warrants outstanding as at August 31, 2022 are as follows:

Number of warrants	Exercise price	Weighted average remaining life (years)	Expiry date
4,447,255	\$ 0.90	0.04	September 15, 2022
575,000	\$ 0.60	0.04	September 15, 2022
5,092,615	\$ 1.60	0.27	December 9, 2022
120,000	\$ 1.20	0.27	December 9, 2022
8,054,885	\$ 2.40	1.56	March 21, 2024
2,653,811	\$ 2.40	1.57	March 25, 2024
215,415	\$ 2.05	1.57	March 25, 2024
21,158,981			

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 three months ended August 31, 2022, a total of nil (2021 - 50,000) stock options were granted to certain officers, directors, and consultants of the Company with a fair value of \$nil (2021 - \$77,979) using the Black-Scholes option pricing model. During the three months ended August 31, 2022, the Company recognized \$1,399,518 (2021 - \$1,712,269) as share-based payment for the fair value of the stock options.

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 three months ended August 31, 2022	For the three months ended August 31, 2021
Risk-free interest rate	-	0.51%
Expected option life in years	-	3.0
Expected stock price volatility	-	84%
Expected forfeiture rate	-	0%

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10. SHARE CAPITAL AND RESERVES (cont'd...)**Stock options (cont'd...)**

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, outstanding as at May 31, 2021	9,970,000	\$ 1.75
Granted	3,700,000	2.09
Expired/forfeited	(450,000)	2.36
Exercised	(1,763,000)	0.32
Balance, outstanding as at May 31, 2022	11,457,000	1.64
Expired/forfeited	(390,000)	0.97
Balance, outstanding as at August 31, 2022	11,067,000	\$ 1.67
Balance, exercisable as at August 31, 2022	5,864,500	\$ 1.32

Options outstanding as at August 31, 2022 are as follows:

Number of options	Number of exercisable options	Exercise price	Weighted average remaining life (years)	Expiry date
300,000	300,000	\$ 0.25	0.58	April 1, 2023
200,000	200,000	\$ 0.30	0.67	May 1, 2023
200,000	200,000	\$ 0.50	0.84	July 2, 2023
2,392,000	2,392,000	\$ 0.75	1.02	September 8, 2023
150,000	90,000	\$ 1.96	1.59	April 1, 2024
225,000	112,500	\$ 2.50	2.10	October 4, 2024
300,000	120,000	\$ 2.05	2.50	March 1, 2025
600,000	240,000	\$ 2.05	2.58	March 29, 2025
6,700,000	2,210,000	\$ 2.05	2.67	May 2, 2025
11,067,000	5,864,500		2.15	

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11. NON-CONTROLLING INTEREST

On March 2, 2020, the Company acquired 100 shares (67%) of XG, through the acquisition of Altamura. In fiscal 2020 and 2021, the Company acquired an additional 55 shares (25 in fiscal 2020 and 30 in fiscal 2021) for total ownership as at August 31, 2022 of 150 shares, representing 86% of XG's equity (2021 - 86%).

As at August 31, 2022, the equity attributable to the 14% (2021 - 14%) non-controlling interest in XG is as follows:

	Total
May 31, 2021	\$ 3,391,014
Share of income for the year	(75,031)
May 31, 2022	3,315,983
Share of loss for the period	(81,914)
August 31, 2022	\$ 3,234,069

As at August 31, 2022 and May 31, 2022 and for the three months ended August 31, 2022 and the year ended May 31, 2022, summarized financial information about XG is as follows:

	August 31, 2022	May 31, 2022
Current assets	\$ 1,881,431	\$ 713,190
Non-current assets	49,702,578	45,834,825
Current liabilities	(1,984,464)	(2,719,993)
Non-current liabilities	(26,314,248)	(19,952,944)
Loss and comprehensive loss for the period	(589,781)	(540,222)

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 three months ended August 31, 2022	For the three months ended August 31, 2021
Management and director fees	\$ 167,575	\$ 102,000
Consulting fees	-	4,500
Professional fees	34,500	34,500
Share-based payment	786,289	1,028,406
Total	\$ 988,364	\$ 1,169,406

As at August 31, 2022 included in accounts payable and accrued liabilities was \$577,232 (May 31, 2022 - \$616,065) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

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13. SUPPLEMENTAL CASH FLOW INFORMATION

	For the three months ended August 31, 2022		For the three months ended August 31, 2021	
Interest paid	\$	-	\$	-
Taxes paid		-		-
Non-cash transactions not included in investing or financing activities				
Exploration and evaluation assets included in accounts payable	\$	2,338,151	\$	577,864
Allocation of fair value of options exercised		-		119,102
Allocation of fair value of warrants exercised		4,363		1,971
Allocation of share subscriptions received in advance to share capital		-		138,650
Unrealized change on fair value of marketable securities		56,013		112,025

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 August 31, 2022

	Canada		Mexico		Total
Equipment	\$	-	\$	3,841,488	\$ 3,841,488
Exploration and evaluation assets		-		54,080,708	54,080,708
Other assets		16,881,821		1,960,908	18,842,729
Total assets	\$	16,881,821	\$	59,883,104	\$ 76,764,925

As at May 31, 2022

	Canada		Mexico		Total
Equipment	\$	-	\$	3,360,428	\$ 3,360,428
Exploration and evaluation assets		-		49,597,502	49,597,502
Other assets		23,733,675		903,720	24,637,395
Total assets	\$	23,733,675	\$	53,861,650	\$ 77,595,325

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 three months ended August 31, 2022.

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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, restricted cash, receivables, and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Derivative liability and the Goldgroup shares, recorded in marketable securities, are measured using level 1 of the fair value hierarchy. 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 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.

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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 August 31, 2022 is approximately \$65,000.

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.

16. SUBSEQUENT EVENTS

Subsequent to August 31, 2022, the Company:

- i. issued 839,440 common shares pursuant to the exercise of warrants, for proceeds of \$582,996;
- ii. had 4,182,815 warrants expire unexercised; and
- iii. issued 300,000 common shares pursuant to the acquisition of the Rossy concession (Note 6).