

OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

FEBRUARY 28, 2023

(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

	February 28, 2023	May 31, 2022
ASSETS		
Current		
Cash	\$ 4,465,631	\$ 23,026,889
Restricted cash (Note 9)	-	52,975
Receivables (Note 5)	1,267,311	839,495
Prepaid expenses and advances	555,092	549,998
	<u>6,288,034</u>	<u>24,469,357</u>
Marketable securities (Note 4)	61,614	168,038
Exploration and evaluation assets (Note 6)	68,720,423	49,597,502
Equipment (Note 7)	3,841,614	3,360,428
	<u>\$ 78,911,685</u>	<u>\$ 77,595,325</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 8 and 12)	\$ 3,124,803	\$ 4,081,573
Derivative liability (Note 9)	-	1,927
	<u>3,124,803</u>	<u>4,083,500</u>
Deferred tax liability	13,443	13,443
	<u>3,138,246</u>	<u>4,096,943</u>
Shareholders' equity		
Share capital (Note 10)	86,716,034	85,250,305
Share subscriptions received in advance (Note 10)	2,900,000	-
Reserves (Note 10)	15,019,841	12,584,865
Deficit	(31,682,752)	(27,652,771)
Equity attributable to the Company's shareholders	<u>72,953,123</u>	<u>70,182,399</u>
Non-controlling interest (Note 11)	2,820,316	3,315,983
	<u>75,773,439</u>	<u>73,498,382</u>
	<u>\$ 78,911,685</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 February 28, 2023	For the Three Months Ended February 28, 2022	For the Nine Months Ended February 28, 2023	For the Nine Months Ended February 28, 2022
Expenses				
Consulting fees (Note 12)	\$ 54,000	\$ 133,500	\$ 148,415	\$ 240,500
Depreciation (Note 7)	-	143	-	427
Foreign currency loss (gain)	55,441	65,339	249,239	(46,657)
Management and director fees (Note 12)	178,286	120,000	519,050	336,000
Office and general	280,830	200,410	561,059	533,344
Professional fees (Note 12)	66,372	70,987	220,285	259,200
Share-based payment (Notes 10 and 12)	496,761	896,395	2,774,803	4,071,740
Shareholder communications and investor relations	30,410	31,476	131,456	157,540
Transfer agent and filing fees	28,931	45,201	97,360	92,193
Travel	31,081	7,461	143,205	84,745
Operating loss	(1,222,112)	(1,570,912)	(4,844,872)	(5,729,032)
Realized gain on fair value of derivative contract (Note 9)	33,945	-	33,945	-
Unrealized gain (loss) on fair value of derivative contract (Note 9)	(30,193)	36,095	-	21,508
Royalty income (Note 5)	-	311,883	285,279	899,957
	3,752	347,978	319,224	921,465
Loss for the period	(1,218,360)	(1,222,934)	(4,525,648)	(4,807,567)
Unrealized loss on fair value of marketable securities (Note 4)	(5,601)	-	(106,424)	-
Loss and comprehensive loss for the period	\$ (1,223,961)	\$ (1,222,934)	\$ (4,632,072)	\$ (4,807,567)
Loss and comprehensive loss attributable to:				
Equity holders of the Company	\$ (926,503)	\$ (1,188,838)	\$ (4,136,405)	\$ (4,787,668)
Non-controlling interest (Note 11)	(297,458)	(34,096)	(495,667)	(19,899)
	\$ (1,223,961)	\$ (1,222,934)	\$ (4,632,072)	\$ (4,807,567)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	207,033,573	193,289,610	206,502,427	191,969,671

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	1,455,000	692,605	(55,000)	-	(292,730)	-	-	344,875
Shares issued for warrant exercises	2,842,957	2,852,564	(83,650)	-	(1,971)	-	-	2,766,943
Share subscriptions received in advance	-	-	1,005,100	-	-	-	-	1,005,100
Unrealized gain on fair value of marketable securities	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	4,071,740	-	-	4,071,740
Loss for the period	-	-	-	-	-	(4,787,668)	(19,899)	(4,807,567)
February 28, 2022	193,366,843	67,299,247	1,005,100	(152,245)	10,550,814	(24,963,759)	3,371,115	57,110,272
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 acquisition of exploration and evaluation assets	300,000	231,000	-	-	-	-	-	231,000
Shares issued for warrant exercises	1,817,034	1,234,729	-	-	(233,403)	-	-	1,001,326
Share subscriptions received in advance	-	-	2,900,000	-	-	-	-	2,900,000
Unrealized loss on fair value of marketable securities	-	-	-	(106,424)	-	-	-	(106,424)
Share-based payment	-	-	-	-	2,774,803	-	-	2,774,803
Loss for the period	-	-	-	-	-	(4,029,981)	(495,667)	(4,525,648)
February 28, 2023	207,033,573	86,716,034	2,900,000	(361,675)	15,381,516	(31,682,752)	2,820,316	75,773,439

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,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (4,525,648)	\$ (4,807,567)
Adjusted for items not involving cash:		
Depreciation	306,454	171,692
Royalty income	(285,279)	(899,957)
Foreign exchange	(73,677)	(42,485)
Share-based payment	2,774,803	4,071,740
Realized gain on fair value of derivative contract	(33,945)	-
Unrealized gain on fair value of derivative contract	-	(21,508)
Changes in working capital items:		
Receivables	(68,860)	(26,266)
Prepaid expenses and advances	(5,094)	(20,124)
Accounts payable and accrued liabilities	(197,687)	(137,112)
Net cash used in operating activities	(2,108,933)	(1,711,587)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(19,651,004)	(10,024,038)
Royalty income	-	1,148,523
Equipment	(787,640)	(2,621,773)
Derivative	32,018	-
Net cash used in investing activities	(20,406,626)	(11,497,288)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	-	344,875
Proceeds from exercise of warrants	1,001,326	2,766,943
Share subscriptions received in advance	2,900,000	1,005,100
Net cash provided by financing activities	3,901,326	4,116,918
Change in cash	(18,614,233)	(9,091,957)
Cash, beginning of period	23,079,864	20,310,252
Cash, end of period	\$ 4,465,631	\$ 11,218,295

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)

February 28, 2023

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 February 2022, Russia invaded Ukraine which has impacted global supply chains and caused market instability and volatility. It is not possible for the Company to predict the duration or magnitude of the adverse results of the Russian invasion 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 May 1, 2023.

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)

February 28, 2023

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)

February 28, 2023

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 deprecations 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)

February 28, 2023

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 nine months ended February 28, 2023, the Company sold nil (2022 - nil) Goldgroup Mining Inc. ("Goldgroup") shares. As at February 28, 2023, the Company owned 560,125 (May 31, 2022 - 560,125) Goldgroup shares with a fair value of \$61,614 (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 loss of \$106,424 for the nine months ended February 28, 2023 (2022 - \$nil).

As at February 28, 2023, 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). 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
	Number	Amount	Number	Amount	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, 2022	560,125	168,038	375,000	-	168,038
Fair value adjustment	-	(106,424)	-	-	(106,424)
February 28, 2023	560,125	\$ 61,614	375,000	\$ -	\$ 61,614

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 was payable for each ounce of the first 90,000 ounces of gold produced from the Property, which was fulfilled in August 2022.

During the nine months ended February 28, 2023, the Company recorded \$285,279 (2022 - \$899,957) in royalty income. As at February 28, 2023, the Company is owed \$1,124,184 (May 31, 2022 - \$765,228) by Goldgroup in connection with the Production Royalty.

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

6. EXPLORATION AND EVALUATION ASSETS

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2022	\$ 49,156,209	\$ 441,293	\$ 49,597,502
Acquisition costs			
Shares	231,000	-	231,000
Deferred exploration expenditures			
Camp	269,961	-	269,961
Community relations	178,390	-	178,390
Engineering and modelling	565,324	-	565,324
Fieldwork, physical and technical	11,931,938	-	11,931,938
Health, safety, and risk management	273,778	-	273,778
Logistics and support	1,601,401	-	1,601,401
Property maintenance	842,883	9,268	852,151
Technical and project management	995,175	-	995,175
VAT	2,222,230	1,573	2,223,803
	18,881,080	10,841	18,891,921
February 28, 2023	\$ 68,268,289	\$ 452,134	\$ 68,720,423
	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 and technical	9,566,450	-	9,566,450
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)

February 28, 2023

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

(a) Santo Tomas Properties, Sinaloa State, Mexico

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

The Company, through MX, holds an 80% interest in each of the Papago 17, La China II, Rossy, Rossy 1, Papago Fraccion1 and AMP Santo Tomas Red 1 concessions (collectively, the “Santo Tomas Properties”) which are contiguous to the seven 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 total cash payments of \$52,247 and US\$42,500, and the issuance of 2,300,000 common shares, valued at \$471,000. Of the \$52,247, the Company will pay \$5,000 to the vendor of the interest in the Papago Fraccion 1 concession within 10 days of registration of the Company’s interest with the Mexican Public Registry of Mining. All six concessions comprising the Santo Tomas Properties are subject to an aggregate 1.5% net smelter royalty (“NSR”) payable to third parties.

Core Concessions

XG holds a registered 100% interest in the Core Concessions.

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 was issued an additional 30 shares (25 in fiscal 2020 and 5 in fiscal 2021) by XG for conversion of \$1,200,000 of intercompany debt into equity, and purchased a further 25 shares from an existing shareholder of XG for \$1,841,350. The Company now holds an 86% (155 shares) interest in XG.

Altamura had 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 (completed) of expenditures on the combined Core Concessions and the Santo Tomas Properties.

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

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

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

Core Concessions (cont'd...)

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.

(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)

February 28, 2023

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	391,349	135,486	218,487	-	-	42,318	787,640
February 28, 2023	\$ 2,094,262	\$ 583,032	\$ 1,455,897	\$ 66,552	\$ 10,017	\$ 275,828	\$ 4,485,588
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	72,426	97,920	104,257	9,774	-	22,077	306,454
February 28, 2023	\$ 125,113	\$ 235,749	\$ 186,580	\$ 39,569	\$ 10,017	\$ 46,946	\$ 643,974
Net book value							
May 31, 2022	\$ 1,650,226	\$ 309,717	\$ 1,155,087	\$ 36,757	\$ -	\$ 208,641	\$ 3,360,428
February 28, 2023	\$ 1,969,149	\$ 347,283	\$ 1,239,317	\$ 26,983	\$ -	\$ 228,882	\$ 3,841,614

During the nine months ended February 28, 2023, depreciation of \$306,454 (2022 - \$171,692) 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:

	February 28, 2023	May 31, 2022
Accounts payable	\$ 2,572,261	\$ 3,465,754
Accrued liabilities	552,542	615,819
	\$ 3,124,803	\$ 4,081,573

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

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

9. DERIVATIVE ASSET (LIABILITY)

The Company hedged a total of nil (May 31, 2022 - 5,460,000) Mexican Pesos (\$nil (May 31, 2022 - \$353,169)) in a contract maturing in 2023, which hedged a portion of the forecast Mexican Peso denominated operating costs of the Company's Mexican subsidiaries. During the nine months ended February 28, 2023, the Company purchased the balance of 5,460,000 Mexican Pesos under the Canadian Dollar-Mexican Pesos derivative contract and recorded a realized gain of \$33,945 (2022 - \$nil). During the nine months ended February 28, 2023, the Company recorded a \$nil (2022 - \$21,508) unrealized gain associated with a change in the fair value of the derivative contract and a corresponding adjustment to the derivative asset (liability). As of February 28, 2023, the Company has \$nil (May 31, 2022 - \$52,975) as a deposit on the margin account and has recorded a derivative asset (liability) of \$nil (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 nine months ended February 28, 2023, the Company issued:

- i. 300,000 common shares, valued at \$231,000, for the acquisition of exploration and evaluation assets; and
- ii. 1,817,034 common shares pursuant to the exercise of warrants, for proceeds of \$1,001,326.

During the nine months ended February 28, 2022, the Company issued:

- i. 1,455,000 common shares pursuant to the exercise of options, for proceeds of \$399,875; and
- ii. 2,842,957 common shares pursuant to the exercise of warrants, for proceeds of \$2,850,593.

Share subscriptions received in advance

As at February 28, 2023, included in cash was \$2,900,000 (May 31, 2022 - \$nil) for private placements received in advance.

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	(1,817,034)	0.55
Expired	(9,395,430)	1.28
Balance, outstanding as at February 28, 2023	10,924,111	\$ 2.39

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

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

Warrants outstanding as at February 28, 2023 are as follows:

Number of warrants	Exercise price	Weighted average remaining life (years)	Expiry date
8,054,885	\$ 2.40	1.06	March 21, 2024
2,653,811	\$ 2.40	1.07	March 25, 2024
215,415	\$ 2.05	1.07	March 25, 2024
10,924,111			

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 nine months ended February 28, 2023, a total of 150,000 (2022 - 275,000) stock options were granted to certain officers, directors, and consultants of the Company with a fair value of \$45,802 (2022 - \$356,616) using the Black-Scholes option pricing model. During the nine months ended February 28, 2023, the Company recognized \$2,774,803 (2022 - \$4,071,740) 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 nine months ended February 28, 2023	For the nine months ended February 28, 2022
Risk-free interest rate	3.76%	0.62%
Expected option life in years	3.0	3.0
Expected stock price volatility	68%	82%
Expected forfeiture rate	0%	0%

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

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

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
Granted	150,000	1.10
Expired/forfeited	(390,000)	0.97
Balance, outstanding as at February 28, 2023	11,217,000	\$ 1.66
Balance, exercisable as at February 28, 2023	8,530,750	\$ 1.55

Options outstanding as at February 28, 2023 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	0.09	April 1, 2023 ⁽¹⁾
200,000	200,000	\$ 0.30	0.17	May 1, 2023
200,000	200,000	\$ 0.50	0.34	July 2, 2023
2,392,000	2,392,000	\$ 0.75	0.53	September 8, 2023
150,000	120,000	\$ 1.96	1.09	April 1, 2024
225,000	168,750	\$ 2.50	1.60	October 4, 2024
300,000	240,000	\$ 2.05	2.01	March 1, 2025
600,000	480,000	\$ 2.05	2.08	March 29, 2025
6,700,000	4,380,000	\$ 2.05	2.18	May 2, 2025
150,000	50,000	\$ 1.10	2.96	February 12, 2026
11,217,000	8,530,750		1.67	

⁽¹⁾ expired, unexercised subsequent to period end

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

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

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 February 28, 2023 of 155 shares, representing 86% of XG's equity (2022 - 86%).

As at February 28, 2023, the equity attributable to the 14% (May 31, 2022 - 14%) non-controlling interest in XG is as follows:

	Total
May 31, 2021	\$ 3,391,014
Share of loss for the year	(75,031)
May 31, 2022	3,315,983
Share of loss for the period	(495,667)
February 28, 2023	\$ 2,820,316

As at February 28, 2023 and May 31, 2022 and for the nine months ended February 28, 2023 and the year ended May 31, 2022, summarized financial information about XG is as follows:

	February 28, 2023	May 31, 2022
Current assets	\$ 485,991	\$ 713,190
Non-current assets	62,736,712	45,834,825
Current liabilities	(2,204,938)	(2,719,993)
Non-current liabilities	(40,711,490)	(19,952,944)
Loss and comprehensive loss for the period	\$ (3,568,803)	\$ (143,272)

The loss allocated to non-controlling interest based on an interest of 14% (2022 - 14%) for the nine months ended February 28, 2023 was \$495,667 (2022 - \$19,899).

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 nine months ended February 28, 2023	For the nine months ended February 28, 2022
Management and director fees	\$ 519,050	\$ 336,000
Consulting fees	-	9,000
Professional fees	103,500	103,500
Share-based payment	1,636,663	2,381,882
Total	\$ 2,259,213	\$ 2,830,382

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

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

12. RELATED PARTY TRANSACTIONS (cont'd...)

As at February 28, 2023 included in accounts payable and accrued liabilities was \$689,024 (May 31, 2022 - \$616,065) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	For the nine months ended February 28, 2023	For the nine months ended February 28, 2022
Non-cash transactions not included in investing or financing activities		
Exploration and evaluation assets included in accounts payable	\$ 2,293,373	\$ 1,819,800
Common shares issued for exploration and evaluation assets	231,000	-
Allocation of fair value of options exercised	-	292,730
Allocation of fair value of warrants exercised	233,403	1,971
Allocation of share subscriptions received in advance to share capital	-	138,650
Unrealized change on fair value of marketable securities	106,424	-

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 February 28, 2023

	Canada	Mexico	Total
Equipment	\$ -	\$ 3,841,614	\$ 3,841,614
Exploration and evaluation assets	-	68,720,423	68,720,423
Other assets	5,646,786	702,862	6,349,648
Total assets	\$ 5,646,786	\$ 73,264,899	\$ 78,911,685

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

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

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

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 nine months ended February 28, 2023.

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.

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

(Expressed in Canadian Dollars)

(Unaudited)

February 28, 2023

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

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 February 28, 2023 is approximately \$27,000.

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 February 28, 2023, the Company:

- i. had 300,000 options expire unexercised;
- ii. issued 6,344,970 units at a price of \$0.75 per unit for total proceeds of \$4,758,728, pursuant to a non-brokered private placement. Each unit is comprised of one common share and one-half of one common share purchase warrant, exercisable at a price of \$1.05 per common share, for a period of 24 months from the date of issue. The Company paid a total of \$78,500 in cash for finders' fees, issued 60,000 finders' shares, and issued 60,000 finders' warrants. Of the total finders' warrants, 10,000 will entitle the holder to purchase one common share of the Company at a price of \$0.75 per common share, for a period of 24 months from the date of issue and 50,000 will entitle the holder to purchase one common share of the Company at a price of \$1.05 per common share, for a period of 24 months from the date of issue; and
- iii. granted 450,000 stock options, exercisable at a price of \$1.10 per common share for a period of three years, with 150,000 vesting on grant and 150,000 on each of the 3- and 6-month anniversaries of the date of grant, expiring on April 3, 2026.