OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 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

	August 31, 2023	May 31, 2023
ASSETS		
Current		
Cash	$ 1,016,065	$ 1,456,085
Receivables	72,744	60,330
Prepaid expenses and advances	536,176	560,584
	1,624,985	2,076,999
Receivables (Note 5)	1,118,748	1,125,536
Marketable securities (Note 4)	22,405	28,006
Exploration and evaluation assets (Note 6)	74,501,909	73,057,531
Equipment (Note 7)	3,659,712	3,768,714
	$ 80,927,759	$ 80,056,786
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 8 and 12)	$ 2,726,278	$ 2,892,558
	2,726,278	2,892,558
Deferred tax liability	13,443	13,443
	2,739,721	2,906,001
Shareholders' equity		
Share capital (Note 10)	93,197,564	91,447,564
Reserves (Note 10)	15,360,581	15,304,582
Deficit	(33,035,417)	(32,375,066)
Equity attributable to the Company's shareholders	75,522,728	74,377,080
Non-controlling interest (Note 11)	2,665,310	2,773,705
	78,188,038	77,150,785
	$ 80,927,759	$ 80,056,786

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

Approved on behalf of the Board:

"Craig Dalziel"	*"Bob Friesen"*
Craig Dalziel – Director	Bob Friesen – 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,

		2023		2022
Expenses				
Consulting fees	$	66,129	$	56,415
Foreign currency loss (gain)		139,088		(14,479)
Management and director fees (Note 12)		172,300		167,575
Office and general		152,011		143,334
Professional fees (Note 12)		114,730		65,660
Share-based payment (Notes 10 and 12)		61,600		1,399,518
Shareholder communications and investor relations		34,279		53,023
Transfer agent and filing fees		28,609		29,330
Travel		-		21,329
Operating loss		(768,746)		(1,921,705)
Unrealized gain on fair value of derivative contract (Note 9)		-		4,313
Royalty income (Note 5)		-		285,279
		-		289,592
Loss for the period		(768,746)		(1,632,113)
Unrealized loss on fair value of marketable securities (Note 4)		(5,601)		(56,013)
Loss and comprehensive loss for the period	$	(774,347)	$	(1,688,126)
Loss and comprehensive loss attributable to:				
Equity holders of the Company	$	(665,952)	$	(1,606,212)
Non-controlling interest (Note 11)		(108,395)		(81,914)
	$	(774,347)	$	(1,688,126)
Basic and diluted loss per common share	$	(0.00)	$	(0.01)
Weighted average number of common shares outstanding - basic and diluted		213,906,770		205,651,929

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

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

	Share Capital		Reserves				
	Number	Amount	Other comprehensive income (loss)	Stock options and warrants	Deficit	Non-controlling interest	Total
		$	$	$	$	$	$
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
May 31, 2023	213,438,543	91,447,564	(395,283)	15,699,865	(32,375,066)	2,773,705	77,150,785
Shares issued for cash	2,692,308	1,750,000	-	-	-	-	1,750,000
Unrealized loss on fair value of marketable securities	-	-	(5,601)	-	-	-	(5,601)
Share-based payment	-	-	-	61,600	-	-	61,600
Loss for the period	-	-	-	-	(660,351)	(108,395)	(768,746)
August 31, 2023	216,130,851	93,197,564	(400,884)	15,761,465	(33,035,417)	2,665,310	78,188,038

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,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (768,746)	$ (1,632,113)
Adjusted for items not involving cash and restricted cash:		
Depreciation	-	100,282
Royalty income	-	(285,279)
Foreign exchange	6,788	(32,905)
Share-based payment	61,600	1,399,518
Unrealized gain on fair value of derivative contract	-	(4,313)
Changes in working capital items:		
Receivables	(12,414)	(30,472)
Prepaid expenses and advances	24,408	(48,699)
Accounts payable and accrued liabilities	150,429	(243,890)
Net cash and restricted cash used in operating activities	(537,935)	(777,871)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(1,652,085)	(5,197,511)
Equipment	-	(581,342)
Net cash and restricted cash used in investing activities	(1,652,085)	(5,778,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement shares issued	1,750,000	-
Proceeds from exercise of warrants	-	418,330
Net cash and restricted cash provided by financing activities	1,750,000	418,330
Change in cash	(440,020)	(6,138,394)
Cash, beginning of period	1,456,085	23,079,864
Cash, end of period	$ 1,016,065	$ 16,941,470

Supplemental cash flow information (Note 13)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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. 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. The Company has not yet determined whether its exploration and evaluation assets contain reserves that are economically recoverable. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Although the Company has successfully raised funds in prior and current periods, management estimates it will require additional funds to operate for the upcoming 12 months. These factors indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. 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.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of the Russian invasion of Ukraine 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, 2023, 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 30, 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.

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.

2. BASIS OF PRESENTATION (cont'd…)

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; and a 100% interest in Desarrollos Copper, S.A. de C.V. ("Desarrollos"), an inactive subsidiary incorporated in Mexico.

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.

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.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

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 deprecation 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.

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, 2023.

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

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning on or after June 1, 2023 which have not been applied in preparing these condensed interim consolidated financial statements as they are not yet effective. The standards and amendments to standards that would be applicable to the consolidated financial statements of the Company are the following:

IAS 1, Presentation of Financial Statements

The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. This amendment is effective for financial statements beginning on or after January 1, 2024, with early adoption permitted.

The Company is assessing the potential impact of the application of this standard.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

As at August 31, 2023, the Company owned 560,125 (May 31, 2023 - 560,125) Goldgroup Mining Inc. ("Goldgroup") shares with a fair value of $22,405 (May 31, 2023 - $28,006). The change in market value of the shares resulted in the recording of other comprehensive loss of $5,601 for the three months ended August 31, 2023 (August 31, 2022 - $56,013).

As at August 31, 2023, the Company owned 375,000 (May 31, 2023 - 375,000) common shares in a private British Columbia company ("BC Co.") with a fair value of $nil (May 31, 2023 - $nil). BC Co. is related by virtue of a common director.

	Goldgroup		BC Co.		Total
	Number	Amount	Number	Amount	Amount
May 31, 2022	560,125	$ 168,038	375,000	$ -	$ 168,038
Fair value adjustment	-	(140,032)	-	-	(140,032)
May 31, 2023	560,125	28,006	375,000	-	28,006
Fair value adjustment	-	(5,601)	-	-	(5,601)
August 31, 2023	560,125	$ 22,405	375,000	$ -	$ 22,405

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

During the three months ended August 31, 2023, the Company recorded $nil (August 31, 2022 - $285,279) in royalty income. As at August 31, 2023, the Company is owed $1,118,748 (May 31, 2023 - $1,125,536) by Goldgroup in connection with the Production Royalty.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2023	$ 72,618,719	$ 438,812	$ 73,057,531
Deferred exploration expenditures			
Camp	14,280	-	14,280
Community relations	4,359	-	4,359
Fieldwork, physical and technical	701,998	-	701,998
Health, safety, and risk management	918	-	918
Logistics and support	303,750	-	303,750
Property maintenance	287,856	32,722	320,578
Technical and project management	28,352	-	28,352
VAT	64,906	5,237	70,143
	1,406,419	37,959	1,444,378
August 31, 2023	$ 74,025,138	$ 476,771	$ 74,501,909

	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	387,546	-	387,546
Community relations	231,263	-	231,263
Engineering and modelling	533,991	-	533,991
Fieldwork, physical and technical	14,422,958	-	14,422,958
Health, safety, and risk management	277,676	-	277,676
Laboratory	64,014	-	64,014
Logistics and support	2,224,248	-	2,224,248
Property maintenance	1,245,765	9,538	1,255,303
Technical and project management	1,247,445	-	1,247,445
VAT	2,596,604	(12,019)	2,584,585
	23,231,510	(2,481)	23,229,029
May 31, 2023	$ 72,618,719	$ 438,812	$ 73,057,531

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 Fraccion 1 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.

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.

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.

(Expressed in Canadian Dollars)

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

(b) Xochipala Property Guerrero State, Mexico

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

(c) Salvador Property, Guerrero State, Mexico

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

7. EQUIPMENT

	Camps	Transportation equipment	Machinery and equipment	Computer equipment	Leaseholds	Furniture and equipment	Total
Cost							
May 31, 2022	$ 1,702,913	$ 447,546	$ 1,237,410	$ 66,552	$ 10,017	$ 233,510	$ 3,697,948
Additions	450,206	76,083	242,959	-	-	66,872	836,120
May 31, 2023	2,153,119	523,629	1,480,369	66,552	10,017	300,382	4,534,068
Additions	-	-	-	-	-	-	-
August 31, 2023	$ 2,153,119	$ 523,629	$1,480,369	$ 66,552	$ 10,017	$ 300,382	$ 4,534,068
Accumulated depreciation							
May 31, 2022	$ 52,687	$ 137,829	$ 82,323	$ 29,795	$ 10,017	$ 24,869	$ 337,520
Depreciation	102,404	134,502	146,408	13,535	-	30,985	427,834
May 31, 2023	155,091	272,331	228,731	43,330	10,017	55,854	765,354
Depreciation	27,387	32,473	37,776	3,384	-	7,982	109,002
August 31, 2023	$ 182,478	$ 304,804	$ 266,507	$ 46,714	$ 10,017	$ 63,836	$ 874,356
Net book value							
May 31, 2022	$ 1,998,028	$ 251,298	$ 1,251,638	$ 23,222	$ -	$244,528	$ 3,768,714
August 31, 2023	$ 1,970,641	$ 218,825	$ 1,213,862	$ 19,838	$ -	$236,546	$ 3,659,712

During the three months ended August 31, 2023, depreciation of $109,002 (August 31, 2022 - $100,282) 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.

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	August 31, 2023	May 31, 2023
Accounts payable	$ 2,287,359	$ 2,543,443
Accrued liabilities	438,919	349,115
	$ 2,726,278	$ 2,892,558

9. DERIVATIVE ASSET (LIABILITY)

As at August 31, 2023, the Company has a Canadian Dollar-Mexican Pesos hedge position of nil (May 31, 2023 - nil) Mexican Pesos ($nil (May 31, 2023 - $nil)), which hedged a portion of the forecast Mexican Peso denominated operating costs of the Company's Mexican subsidiaries. During the three months ended August 31, 2023, the Company recorded a $nil (August 31, 2022 - $4,313) unrealized gain associated with a change in the fair value of the derivative contract and a corresponding adjustment to the derivative asset (liability).

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, 2023, the Company issued:

i. 2,692,308 units at a price of $0.65 per unit by way of a non-brokered private placement for total proceeds of $1,750,000, with each unit consisting of one common share and one common share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of $0.90 per common share, for a period of 24 months from the date of issue. The 2,692,308 warrants were valued at $nil, calculated using the residual value method.

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.

(Expressed in Canadian Dollars)

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

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, outstanding as at May 31, 2022	22,136,575	$ 1.77
Issued	3,232,463	1.05
Exercised	(1,817,034)	0.55
Expired	(9,395,430)	1.28
Balance, outstanding as at May 31, 2023	14,156,574	2.09
Issued	2,692,308	0.90
Balance, outstanding as at August 31, 2023	16,848,882	$ 1.90

Warrants outstanding as at August 31, 2023 are as follows:

Number of warrants	Exercise price	Weighted average remaining life (years)	Expiry date
8,054,885	$ 2.40	0.56	March 21, 2024
2,653,811	$ 2.40	0.57	March 25, 2024
215,415	$ 2.05	0.57	March 25, 2024
3,222,463	$ 1.05	1.55	March 17, 2025
10,000	$ 0.75	1.55	March 17, 2025
2,692,308	$ 0.90	1.96	August 15, 2025
16,848,882			

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, 2023, the Company recognized $61,600 (2022 - $1,399,518) as share-based payment for the fair value of the stock options.

(Expressed in Canadian Dollars)

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

Stock options (cont'd…)

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, outstanding as at May 31, 2022	11,457,000	$ 1.64
Granted	600,000	1.10
Expired/forfeited	(1,865,000)	1.40
Balance, outstanding as at May 31, 2023	10,192,000	1.66
Expired/forfeited	(200,000)	0.50
Balance, outstanding as at August 31, 2023	9,992,000	$ 1.68
Balance, exercisable as at August 31, 2023	9,592,000	$ 1.68

Options outstanding as at August 31, 2023 are as follows:

Number of options	Number of exercisable options	Exercise price	Weighted average remaining life (years)	Expiry date
2,392,000	2,392,000	$ 0.75	0.02	September 8, 2023[1]
150,000	150,000	$ 1.96	0.59	April 1, 2024
300,000	300,000	$ 2.05	1.50	March 1, 2025
600,000	600,000	$ 2.05	1.58	March 29, 2025
5,950,000	5,750,000	$ 2.05	1.67	May 2, 2025
150,000	100,000	$ 1.10	2.45	February 12, 2026
450,000	300,000	$ 1.10	2.59	April 3, 2026
9,992,000	9,592,000		1.30	

(1) expired, unexercised subsequent to period end

(Expressed in Canadian Dollars)

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, 2023 of 155 of 180 shares, representing 86% of XG's equity (May 31, 2023 - 86%; August 31, 2022 - 86%).

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

	Total
May 31, 2022	$ 3,315,983
Share of loss for the year	(542,278)
May 31, 2023	2,773,705
Share of loss for the period	(108,395)
August 31, 2023	$ 2,665,310

As at August 31, 2023 and May 31, 2023 and for the periods ended August 31, 2023 and May 31, 2023, summarized financial information about XG is as follows:

	August 31, 2023	May 31, 2023
Current assets	$ 426,482	$ 1,066,224
Non-current assets	67,108,212	66,247,713
Current liabilities	(1,874,623)	(2,075,638)
Non-current liabilities	(46,469,837)	(45,267,623)
Loss and comprehensive loss for the period	$ (780,442)	$ (3,904,402)

The loss and comprehensive loss of XG for the three months ended August 31, 2023 was $780,442 (August 31, 2022 - $589,781). The loss allocated to non-controlling interest based on an interest of 14% (August 31, 2022 - 14%) for the three months ended August 31, 2023 was $108,395 (August 31, 2022 - $81,914).

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, 2023	For the three months ended August 31, 2022
Management and director fees	$ 172,300	$ 167,575
Professional fees	34,500	34,500
Share-based payment	51,594	786,289
Total	$ 258,394	$ 988,364

As at August 31, 2023 included in accounts payable and accrued liabilities was $517,629 (May 31, 2023 - $480,095) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

		For the three months ended August 31, 2023		For the three months ended August 31, 2022
Non-cash transactions not included in investing or financing activities				
Exploration and evaluation assets included in accounts payable	$	1,874,623	$	2,338,151
Depreciation on equipment included in exploration and evaluation assets	$	109,002	$	-
Allocation of fair value of warrants exercised	$	-	$	4,363
Unrealized change on fair value of marketable securities	$	5,601	$	56,013

14. SEGMENTED INFORMATION

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

As at August 31, 2023

		Canada		Mexico		Total
Equipment	$	-	$	3,659,712	$	3,659,712
Exploration and evaluation assets		-		74,501,909		74,501,909
Other assets		2,231,516		534,622		2,766,138
Total assets	$	2,231,516	$	78,696,243	$	80,927,759

As at May 31, 2023

		Canada		Mexico		Total
Equipment	$	-	$	3,768,714	$	3,768,714
Exploration and evaluation assets		-		73,057,531		73,057,531
Other assets		2,023,944		1,206,597		3,230,541
Total assets	$	2,023,944	$	78,032,842	$	80,056,786

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

The 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.

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. The Company does not have sufficient cash as at August 31, 2023 to settle its current liabilities as they come due and additional funds are required to continue current operations for the upcoming twelve months (Note 1).

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, 2023 is approximately $74,000.

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 EVENT

Subsequent to August 31, 2023, the Company had 2,392,000 options expire unexercised.