OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

NOVEMBER 30, 2016

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

	November 30, 2016	May 31, 2016
ASSETS		
Current		
Cash	$ 2,201,814	$ 407,127
Receivables	36,514	384,907
Prepaid expenses and advances	8,031	8,826
First note receivable (Notes 5 and 6)	-	1,055,355
	2,246,359	1,856,215
Available for sale securities (Notes 5 and 7)	1,163,331	2,028,365
Exploration and evaluation assets (Note 4)	271,645	250,355
Equipment (Note 8)	8,850	9,617
	$ 3,690,185	$ 4,144,552
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and accrued liabilities	$ 179,628	$ 260,279
Deferred tax liability	13,443	13,443
	193,071	273,722
Shareholders' equity		
Share capital (Note 9)	16,973,847	16,973,847
Reserves (Note 9)	2,541,839	3,238,582
Deficit	(16,018,572)	(16,341,599)
	3,497,114	3,870,830
	$ 3,690,185	$ 4,144,552

Nature of operations (Note 1)

Approved on behalf of the Board:

"Craig Dalziel"
Craig Dalziel – Director

"Steve Vanry"
Steve Vanry – Director

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

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

	For the Three Months Ended November 30, 2016	For the Three Months Ended November 30, 2015	For the Six Months Ended November 30, 2016	For the Six Months Ended November 30, 2015
Expenses				
Business development	$ 16,477	$ -	$ 43,383	$ -
Depreciation	383	483	767	965
Consulting fees	17,400	24,000	34,600	48,000
Foreign currency gain	(35,154)	(19,500)	(36,914)	(84,101)
Management and director fees	60,000	60,987	122,000	116,237
Office and general	22,237	22,934	42,394	49,347
Professional fees	41,198	54,882	79,224	101,762
Property investigation costs	-	-	-	32,881
Rent	15,721	15,688	31,678	29,277
Shareholder communications and investor relations	300	10,403	300	10,562
Transfer agent and filing fees	8,235	7,730	14,165	10,865
Travel	-	5,004	-	9,040
Operating loss	(146,797)	(182,611)	(331,597)	(324,835)
Interest income (Note 6)	7,220	35,107	41,941	60,759
Gain (loss) on sale of available for sale securities (Note 7)	11,807	(540,040)	511,103	(557,035)
Gain on settlement of accounts payable	-	69,612	-	69,612
Loss on valuation of second note receivable	-	-	-	(577,500)
Other income (Note 6)	-	32,683	-	32,683
Permanent impairment reversal of available for sale securities (Note 7)	-	1,135,001	-	816,876
Royalty revenue	24,647	-	101,580	-
	43,674	732,363	654,624	(154,605)
Net income (loss) for the period	(103,123)	549,752	323,027	(479,440)
Loss on fair value of available for sale securities	(1,040,114)	-	(696,743)	-
Comprehensive income (loss) for the period	$ (1,143,237)	$ 549,752	$ (373,716)	$ (479,440)
Basic and diluted income (loss) per common share	$ (0.00)	$ 0.00	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	77,947,405	77,947,405	77,947,405	77,947,405

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

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

	Share Capital		Reserves			
	Number	Amount	Other comprehensive income	Stock options and warrants	Deficit	Total
		$	$	$	$	$
May 31, 2015	77,947,405	16,973,847	-	2,110,254	(15,602,637)	3,481,464
Loss for the period	-	-	-	-	(479,440)	(479,440)
November 30, 2015	77,947,405	16,973,847	-	2,110,254	(16,082,077)	3,002,024
May 31, 2016	77,947,405	16,973,847	1,128,328	2,110,254	(16,341,599)	3,870,830
Loss on fair value of available for sale securities	-	-	(696,743)	-	-	(696,743)
Income for the period	-	-	-	-	323,027	323,027
November 30, 2016	77,947,405	16,973,847	431,585	2,110,254	(16,018,572)	3,497,114

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

OROCO RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	For the Six Months Ended November 30, 2016	For the Six Months Ended November 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	$ 323,027	$ (479,440)
Adjusted for items not involving cash:		
Depreciation	767	965
Loss (gain) on sale of available for sale securities	(511,103)	557,035
Gain on settlement of accounts payable	-	(69,612)
Loss on valuation of second note receivable	-	577,500
Accrued royalty income	(5,614)	-
Foreign exchange gain	(14,383)	(91,732)
Permanent impairment reversal of available for sale securities	-	(816,876)
Accrued interest revenue	-	(35,467)
Changes in working capital items:		
Receivables	(148,349)	(27,175)
Prepaid expenses	795	(2,549)
Trade payables and accrued liabilities	(80,687)	(8,166)
Net cash used in operating activities	(435,547)	(395,517)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(21,254)	(11,820)
Royalty revenue	103,911	134
Interest income on first note receivable	17,010	42,861
First note receivable	1,451,173	66,310
Acquisition of available for sale securities	-	(222,273)
Proceeds on sale of available for sale securities	679,394	372,966
Net cash provided by investing activities	2,230,234	248,178
Change in cash	1,794,687	(147,339)
Cash, beginning of period	407,127	419,986
Cash, end of period	$ 2,201,814	$ 272,647

Supplemental cash flow information (Note 12)

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

1. NATURE OF OPERATIONS

Oroco Resource Corp. (the "Company") was incorporated on July 7, 2006 under the Business Corporations Act of British Columbia and is in the business of acquiring, exploring and developing exploration and evaluation assets in Mexico. The Company is listed on the TSX Venture Exchange (the "TSX-V").

The Company's head office and principal address is located at #1502 – 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

The Company is in the exploration stage and has not yet determined whether these exploration and evaluation assets contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the mineral properties and upon future profitable production or proceeds from the disposition thereof.

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

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee ("IFRIC"s). They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2016, prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized by the Audit Committee and Board of Directors of the Company on January 2X, 2017.

Basis of presentation

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

2. BASIS OF PRESENTATION (cont'd…)

Functional and presentation currency

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

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

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

On February 26, 2016, the Company sold Xochipala Gold, S.A. de C.V. ("Xochipala Gold"), a nominal company, for $9,001, resulting in a gain on sale of subsidiary of $5,171.

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 payments - The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Changes in the input assumptions can materially affect the fair value estimate of stock options.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

Recovery of deferred tax assets - Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

Valuation of First Note receivable and IVA - The value of the First Note receivable and the IVA are based on management's assessment of collectability and probability of recovery as disclosed in Notes 5 and 6.

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

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.

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, 2016, except as noted below.

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective June 1, 2016:

IFRS 11, Joint arrangements

This standard was amended to provide specific guidance on accounting for the acquisition of an interesting in a joint operation that is a business.

IAS 16, Property, plant and equipment and IAS 38, Intangible assets

These standards were amended to prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets.

IAS 27, Separate financial statements and IFRS 1, First-time adoption of IFRS

IAS 27 was amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IFRS 1 was amended to permit the use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter.

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

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

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

IFRS 9, Financial instruments

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

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

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Xochipala Property	Total
Balance at May 31, 2016	$ 250,355	$ 250,355
Deferred exploration expenditures:		
Geologists	16,197	16,197
IVA	2,591	2,591
Lease payments, assessment fees and taxes	2,502	2,502
	21,290	21,290
Balance at November 30, 2016	$ 271,645	$ 271,645

	Xochipala Property	Total
Balance at May 31, 2015	$ 219,837	$ 219,837
Deferred exploration expenditures:		
Geologists	21,571	21,571
IVA	3,451	3,451
Lease payments, assessment fees and taxes	5,496	5,496
	30,518	30,518
Balance at May 31, 2016	$ 250,355	$ 250,355

(a) Xochipala Property Guerrero State, Mexico

The Xochipala Property, located in Guerrero State, Mexico, is comprised of the contiguous Celia Gene and Celia Generosa concessions. Minera Xochipala acquired the Xochipala Property in 2007. In fiscal 2014, the Company obtained a judgement from the Federal Tribunal of Mexico upholding the 2012 registration of the Xochipala Property in the name of Minera Xochipala and terminating a competing claim to the Company's title.

(b) Salvador Property, Guerrero State, Mexico

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

5. SALE OF CERRO PRIETO PROPERTY

The Cerro Prieto Property was an exploration and evaluation asset sold to Goldgroup on August 30, 2013 (the "Transaction. The Company received $4,748,850 (US$4,500,000) cash, 5,500,000 common shares of Goldgroup valued at $825,000, a contingent promissory note (the "First Note") in the principal amount of US$1,500,000 (initial fair value of $Nil) bearing 8%, with payment commencing after 1,000 ounces of gold have been produced from the Property (commenced), and a second promissory note (the "Second Note") in the principal amount of US$4,125,000, bearing no interest, due two years from closing and repayable, at Goldgroup's election, in cash or 16,500,000 Goldgroup common shares.

In addition, Goldgroup agreed to pay to the Company a production royalty (the "Production Royalty") quarterly in arrears. The Production Royalty, payable for each month in which the monthly average of the daily PM London gold fix is in excess of US$1,250 per ounce, is calculated at the rate of 20% of the dollar value of that excess for each ounce of gold produced from the property during that month, to a maximum royalty of US$90 per ounce. This Production Royalty will be payable for each and every of the greater of:

i) the first 90,000 ounces of gold produced from the Property; and

ii) all ounces of gold produced from the Property until the completion of five full years of commercial production, which period commenced on March 1, 2014.

And, in addition, prior to the closing of the Transaction, Minas de Oroco with the consent of Goldgroup, assigned to the Company all of Minas de Oroco's rights and interest in and to all value added taxes paid by Minas de Oroco in the years 2008 through 2012, and all refunds in relation thereto (collectively, "the IVA Refund"), in consideration of the settlement of US$500,000 of the debt owed by Minas de Oroco to the Company at the time of the IVA assignment. The IVA Refund at August 31, 2013 was $535,325. The Company assigned a fair value of zero to the IVA Refund as collectability was uncertain.

On September 19, 2014, the Company also entered into a debt assignment agreement (the "IVA Assignment Agreement") with Goldgroup, pursuant to which the Company assigned to Goldgroup the Company's right to the IVA Refund. Goldgroup is to pay 50% of all IVA Refund in excess of $400,000 (the "IVA Refund Split"), which amounts Goldgroup may elect to pay in Goldgroup shares valued at the five day, volume weighted trading average at the time of payment. The Company would reimburse Goldgroup 60% of any amount less than $400,000 of IVA Refund recovered by August 30, 2015, though the Company would remain entitled to recover that amount back from any future IVA recoveries. In consideration of the assignment, Goldgroup issued to the Company 1,200,000 common shares, with a fair value on grant of $216,000. In February, 2016, pursuant to a Shares for Debt Settlement Agreement, Goldgroup issued to the Company a further 1,290,025 common shares, with a fair value on grant of $96,752, in settlement of US$55,000 of IVA Refund Split owing. During the six months ended November 30, 2016, the IVA Refund Split in the amount of $153,418 (US$116,000) was allocated from receivables to the principal amount of the First Note.

On August 28, 2015, Goldgroup issued to the Company 16,500,000 common shares, valued at $1,072,500, in settlement of the Second Note.

6. NOTE RECEIVABLE

First Note

The Company received the contingent US$1,500,000 First Note, valued on the date of receipt as $Nil, pursuant to the sale of the Cerro Prieto Property

During fiscal 2014, Goldgroup achieved production levels at Cerro Prieto triggering realization of the contingent First Note receivable resulting in a gain of $1,664,550. During fiscal 2015, the Company received two instalment payments from Goldgroup on the First Note, totaling $615,548 (US$500,000) and agreed to amend the payment due date. During fiscal 2016, the Company received payments of $66,310 (US$50,000) and 3,400,975 common shares of Goldgroup, valued at $255,073 (US$145,000) and agreed to further amend the terms of payment of the First Note.

Pursuant to the First Note's amended terms, the interest rate payable on the outstanding principal of the First Note was changed to 12%, the Company received $32,683 (US$25,000) as an extension fee, and accrued $100,000 as a break fee (the "Break Fee"). Also in connection with the amended terms, the Company sold 6,000,000 common shares of Goldgroup (Note 7) at $0.06 per share.

On August 5, 2016, the Company entered into a second payment agreement (the "2nd Payment Agreement") with Goldgroup with regard to: (1) US$906,200 in principal and accrued interest owing on the First Note; (2) US$116,000 of IVA Refund Split owing; and the $100,000 (US$76,500) Break Fee, for an aggregate total of US$1,098,700 (the "Goldgroup Debt"). Pursuant to the terms of the 2nd Payment Agreement, the outstanding Goldgroup Debt bore 12% interest per annum, and was to be repaid pursuant to an agreed schedule of payments. During the six months ended November 30, 2106, the Company received payments of $1,451,173 (US$1,109,523) for settlement of the remaining balance of the Goldgroup Debt.

7. AVAILABLE FOR SALE SECURITIES

Pursuant to the sale of the Cerro Prieto Property, the Company received 5,500,000 shares of Goldgroup. Pursuant to the IVA Assignment Agreement, the Company received an additional 2,409,025 shares of Goldgroup (Note 5), and, pursuant to the settlement of the Second Note, the Company received an additional 16,500,000 shares of Goldgroup (Note 6). Pursuant to a Shares for Debt Agreement dated February 12, 2016, the Company received 3,400,975 shares of Goldgroup, with a fair value on grant of $255,073 ($0.075 per share) in settlement of $204,059 (US$145,000) of the outstanding principal owing on the First Note, resulting in a gain on recovery of $51,015.

During six months ended November 30, 2016, the Company sold 2,706,500 (November 30, 2015 - 6,200,000) of the Goldgroup shares resulting in a gain (loss) on sale of $511,103 (November 30, 2015 - ($557,035)). As at November 30, 2016, the remaining shares had a fair value of $858,781 (May 31, 2016 - $1,723,815), resulting in a loss on fair value of available for sale securities of $696,743 (November 30, 2015 - $Nil). During the six months ended November 30, 2016, the Company recorded a permanent impairment reversal of $Nil (November 30, 2015 - $816,876).

In fiscal 2016, the Company purchased 300,000 common shares, at a cost of $304,550, of a private British Columbia company ("BC Co"), a company related by virtue of a member of the Company's management and a private company owned by the spouse of a director collectively having significant influence in BC Co, which has an interest in mineral concessions in Mexico.

(Expressed in Canadian Dollars)

8. EQUIPMENT

	Automotive equipment	Computer equipment	Leaseholds	Office furniture	Total
Cost:					
At May 31, 2015	$ 15,948	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Additions for the year	-	-	-	-	-
At May 31, 2016	15,948	23,110	10,017	3,070	52,145
Additions for the period	-	-	-	-	-
At November 30, 2016	$ 15,948	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Depreciation:					
At May 31, 2015	$ 9,770	$ 20,731	$ 7,654	$ 2,444	$ 40,599
Charge for the year	618	713	473	125	1,929
At May 31, 2016	10,388	21,444	8,127	2,569	42,528
Charge for the period	278	250	189	50	767
At November 30, 2016	$ 10,666	$ 21,694	$ 8,316	$ 2,619	$ 43,295
Net book value:					
At May 31, 2016	$ 5,560	$ 1,666	$ 1,890	$ 501	$ 9,617
At November 30, 2016	$ 5,282	$ 1,416	$ 1,701	$ 451	$ 8,850

9. SHARE CAPITAL AND RESERVES

Authorized

An unlimited number of common shares without par value.

Issued share capital

During the six months ended November 30, 2016 and 2015, there was no share capital activity.

Warrants

During the six months ended November 30, 2016 and 2015, there were no warrants outstanding.

(Expressed in Canadian Dollars)

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

Stock options

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

	Number of Stock Options	Weighted Average Exercise Price
Balance outstanding and exercisable, November 30, 2016 and May 31, 2016	400,000	$ 0.30

The following table summarizes information about stock options outstanding at November 30, 2016:

Number of options	Exercise price $	Weighted average remaining life (years)	Expiry date
400,000	0.30	0.01	December 1, 2016

The stock options expired unexercised subsequent to the period end.

Reserves

At November 30, 2016, the Company had a Stock Option and Warrant Reserve balance of $2,110,254 (November 30, 2015 - $2,110,254) consisting of warrant valuations on warrants attached to various private placements and stock-based compensation associated with stock option grants to employees, consultants, directors and officers.

At November 30, 2016, the Company had an Other Comprehensive Income balance of $431,585 (November 30, 2015 - $Nil).

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

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

	For the Six Months Ended November 30, 2016	For the Six Months Ended November 30, 2015
Management and director fees	$ 122,000	$ 116,237
Consulting	10,600	-
Professional fees	51,000	51,000
Total	$ 183,600	$ 167,237

As at November 30, 2016 included in accounts payable and accrued liabilities was $83,371 (May 31, 2016 - $129,622) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

11. SEGMENTED INFORMATION

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

As at November 30, 2016

	Canada	Mexico	Total
Equipment	$ 3,568	$ 5,282	$ 8,850
Exploration and evaluation assets	-	271,645	271,645
Other assets	3,400,618	9,072	3,409,690
Total assets	$ 3,404,186	$ 285,999	$ 3,690,185

As at May 31, 2016

	Canada	Mexico	Total
Equipment	$ 4,057	$ 5,560	$ 9,617
Exploration and evaluation assets	-	250,355	250,355
Other assets	3,882,052	2,528	3,884,580
Total assets	$ 3,886,109	$ 258,443	$ 4,144,552

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL CASH FLOW INFORMATION

	For the Six Months Ended November 30, 2016	For the Six Months Ended November 30, 2015
Interest paid	$ -	$ -
Taxes paid	$ -	$ -
Non-cash transactions not included in investing or financing activities		
Exploration and evaluation assets included in accounts payable	$ 3,141	$ 6,310
Allocation of amount from receivables to first note receivable	$ 386,627	$ -
Available for sale securities received for settlement of Second Note	$ -	$ 1,072,500

13. FINANCIAL INSTRUMENT RISK AND CAPITAL

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity. There has been no significant change in the Company's objectives, policies and processes for managing its capital during the six months ended November 30, 2016.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

Fair value hierarchy

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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

Management of Industry Risk

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

Management of Financial Risk

The carrying value of cash, receivables, first note receivable and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash is measured at a level 1 of the fair value hierarchy. The Goldgroup shares recorded in available for sale securities are measured at a level 1 of the fair value hierarchy and the BC Co shares recorded in available for sale securities are measured using level 3 of the fair value hierarchy based on cost at time of acquisition. The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

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 First Note receivable and its bank accounts. The bank accounts are mainly held with a major Canadian bank and this minimizes the risk to the Company.

Liquidity Risk

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

Foreign Exchange Risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations, which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in derivatives to mitigate these risks. The effect of a 1% change in the foreign exchange rate on the cash held in foreign currencies at November 30, 2016 is nominal.

Interest Rate Risk

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