

**OROCO RESOURCE CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**

**AUGUST 31, 2019**

**(Expressed in Canadian Dollars)**

**Unaudited – Prepared by Management**

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

	August 31, 2019	May 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 566,054	\$ 488,402
Receivables	93,830	35,491
Prepaid expenses and advances	60,270	14,776
	720,154	538,669
<b>Marketable securities</b> (Note 4)	311,800	401,444
<b>Investment in and advances to associated company</b> (Note 4)	1,503,586	1,339,443
<b>Deferred acquisition costs</b> (Note 6)	-	29,559
<b>Exploration and evaluation assets</b> (Note 6)	1,601,588	1,417,143
<b>Equipment</b> (Note 7)	5,645	5,850
	\$ 4,142,773	\$ 3,732,108
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Trade payables and accrued liabilities (Note 9)	\$ 407,221	\$ 467,341
<b>Deferred tax liability</b>	13,443	13,443
	420,664	480,784
<b>Shareholders' equity</b>		
Share capital (Note 8)	20,854,920	19,913,512
Share subscriptions receivable (Note 8)	(121,500)	-
Reserves (Note 8)	2,923,538	2,758,706
Deficit	(19,934,849)	(19,420,894)
	3,722,109	3,251,324
	\$ 4,142,773	\$ 3,732,108

**Nature of operations and going concern** (Note 1)

**Subsequent events** (Note 13)

**Approved on behalf of the Board:**

*"Craig Dalziel"*

Craig Dalziel – Director

*"Steve Vanry"*

Steve Vanry – Director

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

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

(Expressed in Canadian Dollars)

(Unaudited)

For the Three Months Ended August 31,

	2019	2018
<b>Expenses</b>		
Business development	\$ 16,650	\$ 16,650
Depreciation (Note 7)	205	251
Consulting fees (Note 9)	68,047	17,650
Foreign currency loss (gain)	3,116	(390)
Management and director fees (Note 9)	74,000	59,000
Office and general	52,040	42,799
Professional fees (Note 9)	50,331	54,225
Property investigation costs	13,733	2,057
Share-based payment (Notes 8 and 9)	250,096	62,573
Shareholder communications and investor relations	79,840	740
Transfer agent and filing fees	5,250	4,588
Travel	31,245	17,185
<b>Operating loss</b>	<u>(644,553)</u>	<u>(277,328)</u>
Equity loss in associated company (Note 4)	(19,876)	(31,025)
Interest income (Note 4)	22,758	-
Royalty income (Note 5)	127,716	270
	<u>130,598</u>	<u>(30,755)</u>
<b>Loss for the period</b>	(513,955)	(308,083)
<b>Unrealized loss on fair value of marketable securities (Note 4)</b>	<u>(89,644)</u>	<u>(172,537)</u>
<b>Loss and comprehensive loss for the period</b>	<u>\$ (603,599)</u>	<u>\$ (480,620)</u>
<b>Basic and diluted loss per common shares</b>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<u>98,283,981</u>	<u>89,196,318</u>

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

**OROCO RESOURCE CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Reserves				Total
	Number	Amount	Share subscriptions receivable	Other comprehensive income (loss)	Stock option and warrant	Deficit	
		\$	\$	\$	\$	\$	\$
<b>May 31, 2018</b>	89,147,405	18,115,678	-	103,031	2,289,540	(17,874,209)	2,634,040
Shares issued for exploration and evaluation assets	500,000	137,500	-	-	-	-	137,500
Unrealized loss on fair value of marketable securities	-	-	-	(172,537)	-	-	(172,537)
Share-based payment	-	-	-	-	62,573	-	62,573
Loss for the period	-	-	-	-	-	(308,083)	(308,083)
<b>August 31, 2018</b>	89,647,405	18,253,178	-	(69,506)	2,352,113	(18,182,292)	2,353,493
<b>May 31, 2019</b>	97,542,405	19,913,512	-	(44,125)	2,802,831	(19,420,894)	3,251,324
Shares issued for cash	2,000,000	900,000	(121,500)	-	-	-	778,500
Share issue costs	-	(10,592)	-	-	4,380	-	(6,212)
Shares issued for warrant exercise	325,000	52,000	-	-	-	-	52,000
Unrealized loss on fair value of marketable securities	-	-	-	(89,644)	-	-	(89,644)
Share-based payment	-	-	-	-	250,096	-	250,096
Loss for the period	-	-	-	-	-	(513,955)	(513,955)
<b>August 31, 2019</b>	99,867,405	20,854,920	(121,500)	(133,769)	3,057,307	(19,934,849)	3,722,109

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,

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (513,955)	\$ (308,083)
Adjusted for items not involving cash:		
Depreciation	205	251
Equity loss in associated company	19,876	31,025
Accrued royalty income	(127,716)	(270)
Accrued interest income	(22,758)	-
Foreign exchange loss (gain)	86	(201)
Share-based payment	250,096	62,573
Changes in working capital items:		
Receivables	17,032	(6,340)
Prepaid expenses and advances	(45,494)	(6,377)
Trade payables and accrued liabilities	(689)	33,198
Net cash used in operating activities	(423,317)	(194,224)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures	(214,317)	(144,909)
Royalty income	52,259	1,782
Advances to associated company	(161,261)	(59,895)
Net cash used in investing activities	(323,319)	(203,022)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placement shares issued	778,500	-
Proceeds from exercise of warrants	52,000	-
Share issue cost	(6,212)	-
Net cash provided by financing activities	824,288	-
<b>Change in cash</b>	<b>77,652</b>	<b>(397,246)</b>
<b>Cash, beginning of period</b>	<b>488,402</b>	<b>938,804</b>
<b>Cash, end of period</b>	<b>\$ 566,054</b>	<b>\$ 541,558</b>

**Supplemental cash flow information** (Note 10)

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

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

---

---

**1. NATURE OF OPERATIONS AND GOING CONCERN**

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

The Company's head office and principal address is located at #1201 - 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

The Company is in the exploration stage and has not yet determined whether its 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, Santo Tomas, and Salvador properties in Mexico. The outlook for the Company is tied to realizing on the value of its exploration and evaluation assets and marketable securities, raising the financing necessary to maintain operations thereafter, and ultimately on generating future profitable operations. The Company has incurred ongoing losses and will require additional capital to continue operation for the upcoming year. These uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

**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, 2019, 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, 2019.

**Basis of presentation**

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

**Functional and presentation currency**

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

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

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

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

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

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

The Company holds a 13.0% interest in Altamura Copper Corp. ("Altamura") which is accounted for as an equity investment.

**Significant estimates**

The preparation of these condensed interim consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

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

Valuation of marketable securities - The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

The carrying value and the recoverability of exploration and evaluation assets - Management has determined that exploration, evaluation and related costs incurred, which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

**OROCO RESOURCE CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

---

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

**Significant estimates (cont'd...)**

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

**Significant judgments**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in 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.

Classification of investments as subsidiaries, joint ventures, associated company and portfolio investments - Classification of investments requires judgement as to whether the Company controls, has joint control of or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds or has the ability to hold 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. The Company accounts for its 13.0% interest in Altamura as an equity investment as the Company has the ability to convert its advances into an increased interest in Altamura.

**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, 2019, 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, 2019:

*IFRS 16, Leases*

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

There was no impact on the condensed interim consolidated financial statements as a result of adopting this standard.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**4. INVESTMENTS AND ADVANCES****(a) Marketable Securities**

During the three months ended August 31, 2019, the Company sold Nil (August 31, 2018 - Nil) Goldgroup Mining Inc. (“Goldgroup”) shares resulting in a gain on sale of \$Nil (August 31, 2018 - \$Nil). As at August 31, 2019, the remaining 5,601,250 (May 31, 2019 - 5,601,250) shares had a fair value of \$224,050 (May 31, 2019 - \$308,069), resulting in other comprehensive loss of \$84,019 (May 31, 2019 - \$140,031; August 31, 2018 - \$172,537).

The Company owns 375,000 common shares, at a cost of \$75,000, in a private British Columbia company (“BC Co.”), related by virtue of a common director, which provides satellite based, geological services to the mining and other industries, which services are able to identify, model and monitor subsurface geological structures. Cost is considered to approximate fair value.

As at August 31, 2019, the Company owned 5,950,000 common shares (representing a 13.0% ownership), at a cost of \$451,073, in Altamura, a company related by virtue of a director and officer of the Company and a member of the Company’s management collectively having significant influence in Altamura (Note 9).

The Company owns 75,000 common shares of a publicly traded company (“Pub Co.”). As at August 31, 2019, the shares had a fair value of \$12,750 (May 31, 2019 - \$18,375), resulting in other comprehensive loss of \$5,625 (May 31, 2019 - \$7,125; August 31, 2018 - \$4,500).

	Goldgroup		Altamura		BC Co.	
	Number	Amount	Number	Amount	Number	Amount
May 31, 2018	5,601,250	\$ 448,100	5,950,000	\$ -	375,000	\$ 75,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Fair value adjustment	-	(140,031)	-	-	-	-
May 31, 2019	5,601,250	\$ 308,069	5,950,000	\$ -	375,000	\$ 75,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Fair value adjustment	-	(84,019)	-	-	-	-
August 31, 2019	5,601,250	\$ 224,050	5,950,000	\$ -	375,000	\$ 75,000

	Pub Co.		Total
	Number	Amount	
May 31, 2018	75,000	\$ 25,500	\$ 548,600
Additions	-	-	-
Disposals	-	-	-
Fair value adjustment	-	(7,125)	(147,156)
May 31, 2019	75,000	\$ 18,375	\$ 401,444
Additions	-	-	-
Disposals	-	-	-
Fair value adjustment	-	(5,625)	(89,644)
August 31, 2019	75,000	\$ 12,750	\$ 311,800

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**4. INVESTMENTS AND ADVANCES (cont'd...)****(b) Equity Investment and Advances**

During the three months ended August 31, 2019, the Company advanced to and/or paid on behalf of Altamura \$161,261 (August 31, 2018 - \$59,895), and accrued interest owed of \$22,758 (August 31, 2018 - \$Nil) for total outstanding advances of \$864,615 (May 31, 2019 - \$680,596) (the "Advances"). The Advances bear interest of 12% and are due within 90 days of request of the Company. The Company has entered into three agreements with Altamura dated effective September 27, 2018: (i) an option agreement (the "Altamura Option Agreement") pursuant to which the Company acquired a three year option (the "Option"), the exercise of which is subject to TSX-V and shareholder approval, to acquire all of the equity in Altamura not already held by the Company, in consideration for 39,800,000 shares of the Company (Note 9); (ii) a loan agreement (the "Altamura Loan Agreement") pursuant to which the Company agreed to lend up to US\$600,000 to Altamura, inclusive of Advances and exclusive of interest and management services to date, and (iii) an amended and restated share option agreement (the "Advances Conversion Agreement") pursuant to which, in the event that the Company does not exercise the Option, the Company may convert all Advances to Altamura into common shares of Altamura at a price of US\$0.057 per share at any time within the first six months after the expiry of the Option. The Advances are secured by promissory notes. As the conversion of the Advances into equity of Altamura would result in the Company holding an equity position in Altamura sufficient to give it significant influence, but not control, the investment into Altamura has been accounted for as an equity investment. Altamura's main asset is its interests in the Santo Tomas Properties in Mexico (Note 6).

As at August 31, 2019, the Company has a receivable of \$346,500 (May 31, 2019 - \$346,500) in relation to the management services. Subsequent to the three months ended August 31, 2019, the Company and Altamura amended the Advances Conversion Agreement to include the management services fees in the amount that the Company may elect to convert into common shares of Altamura (Note 6).

Information on the equity investment is as follows:

As at August 31, 2019, the Company's investment in Altamura, including dilution gains, less its share of Altamura's accumulated losses was \$292,471 (May 31, 2019 - \$312,347). The Company's share of the loss for the three months ended August 31, 2019 was \$19,876 (August 31, 2018 - \$31,025). The Company does not control operational decisions and the Company's judgment is that it has significant influence, but not control and accordingly equity accounting is appropriate.

As at August 31, 2019, Altamura's aggregate assets, aggregate liabilities and loss for the three months then ended are as follows:

	Altamura
Aggregate assets	\$ 243,475
Aggregate liabilities	1,361,416
Loss for the three months ended August 31, 2019	152,891
Eliminate intercompany losses	-
Adjusted loss for the three months ended August 31, 2019	152,891
The Company's ownership percentage	13.0%
The Company's share of the loss	\$ 19,876

**OROCO RESOURCE CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**4. INVESTMENTS AND ADVANCES (cont'd...)****(b) Equity Investment and Advances (cont'd...)**

A reconciliation of the equity balance and advances is as follows:

	Altamura
Equity investment	
May 31, 2018	\$ 432,205
Additions	-
Loss for the year	(119,858)
May 31, 2019	312,347
Additions	-
Loss for the period	(19,876)
<b>Total equity investment as at August 31, 2019</b>	<b>\$ 292,471</b>
Advances	
May 31, 2018	\$ 289,403
Additions	350,572
Interest	40,621
May 31, 2019	680,596
Additions	161,261
Interest	22,758
<b>Total advances as at August 31, 2019</b>	<b>\$ 864,615</b>
<b>Management services as at August 31, 2019 and May 31, 2019</b>	<b>\$ 346,500</b>
<b>Total equity investment, advances, and management services as at August 31, 2019</b>	<b>\$ 1,503,586</b>
Total equity investment, advances, and management services as at May 31, 2019	\$ 1,339,443

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

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

During the three months ended August 31, 2019, the Company accrued \$127,716 (August 31, 2018 - \$270) in royalty revenue.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**6. EXPLORATION AND EVALUATION ASSETS**

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2019	\$ 1,036,926	\$ 380,217	\$ 1,417,143
Acquisition costs			
Cash	29,559	-	29,559
Shares issued	-	-	-
	29,559	-	29,559
Deferred exploration expenditures			
Geologists	60,973	13,372	74,345
Lease payments, assessment fees and taxes	77,232	3,309	80,541
	138,205	16,681	154,886
August 31, 2019	\$ 1,204,690	\$ 396,898	\$ 1,601,588
	Santo Tomas Properties	Xochipala Property	Total
May 31, 2018	\$ 347,793	\$ 333,754	\$ 681,547
Acquisition costs			
Cash	-	-	-
Shares issued	-	-	-
	-	-	-
Deferred exploration expenditures			
Data, analysis, and models	235,549	-	235,549
Fieldwork	4,888	-	4,888
Geologists	376,354	39,992	416,346
Lease payments, assessment fees and taxes	56,097	6,471	62,568
Travel	16,245	-	16,245
	689,133	46,463	735,596
May 31, 2019	\$ 1,036,926	\$ 380,217	\$ 1,417,143

**(a) 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. Minera Xochipala acquired the Xochipala Property in 2007.

**(b) Salvador Property, Guerrero State, Mexico**

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

**OROCO RESOURCE CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

---

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

**(c) Santo Tomas Properties, Sinaloa State, Mexico**

The Company holds a 77.5% interest in each of the Papago 17, La China II and AMP Santo Tomas Red 1 concessions (collectively, the “Santo Tomas Properties”) which are contiguous to the concessions which cover the known core of the Santo Tomas mineralized structure (the “Core Concessions”). The Santo Tomas Properties were acquired for a total cash payment of \$47,247 and the issuance of 2,000,000 common shares, valued at \$240,000. All three concessions of the Santo Tomas Property are subject to a 2% net smelter royalty (“NSR”).

During the three months ended August 31, 2019, the Company entered into a letter agreement for the acquisition of an 80% interest in the Rossy mineral concession, which is contiguous to the Santo Tomas properties. The Company acquired its interest in consideration for US\$125,000, to be paid over two years, the issuance of 300,000 shares, and the grant to third parties of an aggregate 1.5% NSR. As at August 31, 2019, \$29,559 had been recorded as acquisition costs.

During the year ended May 31, 2019, the Company entered into a purchase agreement pursuant to which the Company acquired geological data, analysis and models related to the Santo Tomas Properties and the Core Properties in consideration for 500,000 common shares, valued at \$137,500, and US\$500,000, to be paid by way of three payments of US\$50,000 each and a final payment of US\$350,000. The second and third \$50,000 payments and the \$350,000 payment are contingent upon Xochipala Gold obtaining registered title to the Core Concessions and are due over a period of no more than three years from that event.

Altamura (Note 4) holds an un-registered, contractual interest in the Core Concessions. The registration of this interest had previously been impeded by a 2016 judgment (the “Judgment”) from a claim by Aztec Copper Corp. (“Aztec”) and its Mexican subsidiary, Prime Aztec Mexicana, S.A. de C.V. against Compania Minera Ruero, S.A. de C.V. (“CMR”), Fierce Investments Ltd. (“Fierce”), and Ruero International Ltd. (“Ruero”). During the year ended May 31, 2019, the Judgment and a related annotation were nullified and the transfer of the Santo Tomas Property from CMR to XG is now in process.

Altamura also holds an indirect 50% interest in CMR, the registered title holder of the Core Concessions, and an option to acquire, for US\$16,000,000, all of the direct and indirect interest that the holder of the other 50% of CMR has in the Core Concessions, wherever that ownership interest resides (the “CMR Option”), subject to a 1% NSR (the “CMR Option NSR”), 0.5% of which may be bought back for US\$2,000,000. Altamura’s interest in the Core Concessions is subject to an NSR of 1.5%, in favour of ATM Mining Corp., a company owned by the spouse of the Company’s president, Craig Dalziel, and an arm’s-length third party (the “Altamura NSR”). 0.5% of the Altamura NSR will be cancelled if the CMR Option NSR is granted, with the result that the Core Concessions will, upon the buy-back of half of the CMR Option NSR, be subject to a maximum 1.5% NSR.

Altamura paid USD\$10,000 for an exclusive option (the “Aztec Share Option”) to purchase the shares of Aztec (the “Aztec Shares”) held by Fierce, being approximately 80% of the issued and outstanding shares of Aztec, at any time prior to April 10, 2022. The Aztec Shares, which are subject to dispute by Aztec, constitute the primary consideration paid by Aztec in the transaction which was the basis of Aztec’s claim that resulted in the Judgment.

**OROCO RESOURCE CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

---

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

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

Altamura has certain contingency fee obligations (the “Contingency Fee Agreements”) related to the Core Concessions as follows:

- (i) \$600,000 payable within six months of title to the Santo Tomas Property is registered in the Mexican Public Registry of Mining; and
- (ii) upon the direct or indirect sale, assignment or transfer of the Santo Tomas Property in a transaction intended to be final disposition of the Santo Tomas Property:
  - A. 10% of the sale price, to a maximum of \$3,600,000, (inclusive of the first \$600,000); and
  - B. 1.5% of the sale price, to a maximum of \$4,100,000, of which up to \$1,000,000 is payable to David Rose, an officer of the Company and shareholder of Altamura.

Altamura has entered into agreements pursuant to which it granted an aggregate 15% interest in the Core Properties (the “Contractual Interest”) in consideration for i) assistance on legal challenges and land assembly, ii) the assignment of majority interests in certain additional properties to the Company; (iii) the right to cause the assignment of majority interests in other additional properties to the Company; and (iv) providing technical and geological services. The Contractual Interest is subject to dilution down to an aggregate 10% on a pro-rata basis upon the funding of up to \$30,000,000 of expenditures on the combined Core Concessions and the Santo Tomas Property.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**7. EQUIPMENT**

	Automotive equipment	Computer equipment	Leaseholds	Office furniture	Total
<b>Cost</b>					
May 31, 2018	\$ 15,948	\$ 23,110	\$ 10,017	\$ 3,070	\$ 52,145
Additions	-	-	-	-	-
May 31, 2019	15,948	23,110	10,017	3,070	52,145
Additions	-	-	-	-	-
August 31, 2019	\$ 15,948	\$ 23,110	\$ 10,017	\$ 3,070	\$ 52,145
<b>Depreciation</b>					
May 31, 2018	\$ 11,445	\$ 22,293	\$ 8,807	\$ 2,749	\$ 45,294
Charge for the year	450	245	242	64	1,001
May 31, 2019	11,895	22,538	9,049	2,813	46,295
Charge for the period	101	43	48	13	205
May 31, 2019	\$ 11,996	\$ 22,581	\$ 9,097	\$ 2,826	\$ 46,500
<b>Net book value</b>					
May 31, 2019	\$ 4,053	\$ 572	\$ 968	\$ 257	\$ 5,850
August 31, 2019	\$ 3,952	\$ 529	\$ 920	\$ 244	\$ 5,645

The Company rents office space under an operating lease, included in office and general, with monthly payments of \$6,100.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**8. SHARE CAPITAL AND RESERVES****Authorized**

An unlimited number of common shares without par value.

**Issued share capital**

During the three months ended August 31, 2019, the Company issued:

- i. 2,000,000 units at a price of \$0.45 per unit by way of a private placement for total proceeds of \$900,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of \$0.70 per common share, for a period of 24 months from the date of issue. The Company paid a total of \$6,212 in cash for fees and issued 19,200 finder's warrants. Each finders' warrant entitles the holder to purchase one common share at a price of \$0.45 per common share, for a period of two years from the date of issue. The finder's warrants were valued at \$4,380, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk free interest rate of 1.34%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 105%; and
- ii. 325,000 common shares, pursuant to the exercise of warrants, for proceeds of \$52,000.

During the three months ended August 31, 2018, the Company issued:

- i. 500,000 common shares, valued at \$137,500, pursuant to the purchase agreement in which the Company received technical and geological services related to the Santo Tomas Properties (Note 6(c)).

**Share subscriptions receivable**

During the three months ended August 31, 2019, the Company had accrued a total of \$121,500 (May 31, 2019 - \$Nil) for common shares that have been issued; this amount was collected subsequent to period end.

**Warrants**

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, outstanding as at May 31, 2018	4,500,000	\$ 0.16
Issued	3,475,000	0.36
Exercised	(445,000)	0.17
Balance, outstanding as at May 31, 2019	7,530,000	\$ 0.25
Issued	1,019,200	0.70
Exercised	(325,000)	0.16
Balance, outstanding as at August 31, 2019	8,224,200	\$ 0.31

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

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

Warrants outstanding as at August 31, 2019 are as follows:

Number of warrants	Exercise price	Weighted average remaining life (years)	Expiry date
3,750,000	\$ 0.16	0.15	October 26, 2019*
1,855,000	0.32	0.68	May 3, 2020
1,600,000	0.40	1.13	October 17, 2020
1,000,000	0.70	1.93	August 6, 2021
19,200	0.45	1.93	August 6, 2021
8,224,200			

\*exercised subsequent to period end (Note 13)

**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, 2019, a total of 350,000 (August 31, 2018 - 750,000) stock options were granted to certain officers, directors, and consultants of the Company with a fair value of \$113,671 (August 31, 2018 - \$119,510) using the Black-Scholes option pricing model. During the three months ended August 31, 2019, the Company recognized \$250,096 (August 31, 2018 - \$62,573) as share-based payment for the fair value of the stock options.

The fair value of options granted was estimated on the grant date using the Black-Scholes option pricing model with weighted average assumptions as follows:

	For the three months ended August 31, 2019	For the three months ended August 31, 2018
Risk-free interest rate	1.40%	1.98%
Expected option life in years	3.0	3.0
Expected stock price volatility	118%	145%
Expected forfeiture rate	0%	0%

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**8. 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, 2018	4,700,000	\$ 0.08
Granted	3,700,000	0.33
Exercised	(500,000)	0.08
Balance, outstanding as at May 31, 2019	7,900,000	\$ 0.19
Granted	350,000	0.53
Balance, outstanding as at August 31, 2019	8,250,000	\$ 0.21
Balance, exercisable as at August 31, 2019	7,050,000	\$ 0.16

Options outstanding as at August 31, 2019 are as follows:

Number of options	Number of exercisable options	Exercise price	Weighted average remaining life (years)	Expiry date
3,550,000	3,550,000	\$ 0.075	0.95	August 11, 2020
150,000	150,000	0.075	1.05	September 18, 2020
500,000	500,000	0.075	1.05	September 18, 2020
750,000	750,000	0.200	1.84	July 2, 2021
1,500,000	1,200,000	0.225	2.15	October 24, 2021
300,000	300,000	0.250	2.40	January 24, 2022
100,000	100,000	0.350	2.67	May 1, 2022
750,000	250,000	0.600	2.71	May 17, 2022
300,000	100,000	0.550	2.74	May 28, 2022
100,000	-	0.550	2.79	June 14, 2022
150,000	50,000	0.500	2.92	August 1, 2022
100,000	100,000	0.550	2.98	August 22, 2022
8,250,000	7,050,000			

**Reserves**

As at August 31, 2019, the Company had a Stock Option and Warrant Reserve balance of \$3,057,307 (May 31, 2019- \$2,802,831) consisting of warrant valuations associated with warrants issued in connection with various private placements and share-based compensation associated with stock option grants to employees, consultants, directors and officers.

As at May 31, 2019, the Company had an Other Comprehensive Loss balance of \$133,769 (May 31, 2019- \$44,125).

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**9. RELATED PARTY TRANSACTIONS**

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

	For the three months ended August 31, 2019	For the three months ended August 31, 2018
Management and director fees	\$ 59,000	\$ 59,000
Consulting	6,000	5,400
Professional fees	25,500	25,500
Total	\$ 90,500	\$ 89,900

As at May 31, 2019 included in accounts payable and accrued liabilities was \$259,607 (May 31, 2019 - \$254,937) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

During the year ended May 31, 2019, the Company entered into the Altamura Option Agreement (Notes 4 and 6), the Altamura Loan Agreement and the Advances Conversion Agreement with Altamura, which is a related party by virtue of a company controlled by the spouse of a director and an officer of the Company, a company controlled by family members of a director and officer of the Company and a member of the Company's management being significant shareholders of Altamura (Note 4).

Pursuant to the terms of the Altamura Option Agreement, the Company will issue 39,800,000 shares to the shareholders of Altamura. 8,302,000 shares will be issued to a company controlled by the spouse of a director and officer of the Company, 9,506,000 shares will be issued to a company controlled by family members of a director and officer of the Company and 8,302,000 shares will be issued to an officer of the Company.

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

	For the three months ended August 31, 2019	For the three months ended August 31, 2018
Interest paid	\$ -	\$ -
Taxes paid	-	-
Non-cash transactions not included in investing or financing activities		
Exploration and evaluation assets included in accounts payable	\$ 26,823	\$ 3,012
Deferred acquisition costs allocated to exploration and evaluation assets	29,559	-
Share subscriptions receivable included in share capital	121,500	-
Finder's warrants issued included in share issue costs	4,380	-
Shares issued for exploration and evaluation assets	-	137,500
Unrealized loss on fair value of marketable securities	89,644	172,537

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

**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 August 31, 2019

	Canada	Mexico	Total
Equipment	\$ 1,693	\$ 3,952	\$ 5,645
Exploration and evaluation assets	-	1,601,588	1,601,588
Other assets	2,520,930	14,610	2,535,540
Total assets	\$ 2,522,623	\$ 1,620,150	\$ 4,142,773

As at May 31, 2019

	Canada	Mexico	Total
Equipment	\$ 1,797	\$ 4,053	\$ 5,850
Exploration and evaluation assets	-	1,417,143	1,417,143
Other assets	2,291,958	17,157	2,309,115
Total assets	\$ 2,293,755	\$ 1,438,353	\$ 3,732,108

**12. 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, 2019.

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.

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

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

---

---

**12. FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (cont'd...)****Fair value hierarchy (cont'd...)**

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

**Management of Industry Risk**

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

**Management of Financial Risk**

The carrying value of cash, receivables, and trade payables and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash is measured at a level 1 of the fair value hierarchy. The Goldgroup and Pub Co. shares recorded in marketable securities are measured at a level 1 of the fair value hierarchy 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 investments are 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 bank accounts. The bank accounts are mainly held with a major Canadian bank and this minimizes the risk to the Company.

**Liquidity Risk**

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

**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 August 31, 2019 is nominal.

**OROCO RESOURCE CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

August 31, 2019

---

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

**Interest Rate Risk**

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

**13. SUBSEQUENT EVENTS**

Subsequent to August 31, 2019, the Company:

- i. issued 1,000,000 units at a price of \$0.45 per unit by way of a private placement for total proceeds of \$450,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one common share at a price of \$0.70 per common share, for a period of 24 months from the date of issue;
- ii. issued 3,750,000 common shares, pursuant to the exercise of warrants, for proceeds of \$600,000;
- iii. granted 100,000 stock options to purchase common shares of the Company at a price of \$0.55 per share for 36 months from the date of grant.;
- iv. entered into agreements with Altamura and Fierce with regard to taking an assignment of the Aztec Share Option from Altamura in consideration for the reimbursement of legal fees paid by or on behalf of Fierce, and of the consideration paid for the grant of the Aztec Share Option; and
- v. amended the Advances Conversion Agreement to include management services fees charged by the Company to Altamura in the amount that the Company may elect to convert into common shares of Altamura (Note 4).