

**OROCO RESOURCE CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MAY 31, 2025**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Oroco Resource Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Oroco Resource Corp. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has not yet determined whether its exploration and evaluation assets contain reserves that are economically recoverable and will require additional funds to operate for the upcoming twelve months. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### *Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$84,552,355 as of May 31, 2025. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter is that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Assessing compliance with agreements.
- Obtaining confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael MacLaren.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 26, 2025

**OROCO RESOURCE CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
As at May 31,

|   | 2025          | 2024          |
|---|---------------|---------------|
| <b>ASSETS</b>   |               |               |
| <b>Current</b>  |               |               |
| Cash  | \$ 169,629    | \$ 828,999    |
| Receivables (Note 5)                                      | 1,164,824     | 97,405        |
| Prepaid expenses and advances                             | 333,794       | 411,811       |
|   | 1,668,247     | 1,338,215     |
| <b>Receivables (Note 5)</b>                               | -             | 1,076,781     |
| <b>Marketable securities (Note 4)</b>                     | 201,590       | 19,604        |
| <b>Exploration and evaluation assets (Note 6)</b>         | 84,552,355    | 79,184,224    |
| <b>Equipment (Note 7)</b>                                 | 2,772,453     | 3,154,262     |
| <b>Right-of-use-asset (Note 8)</b>                        | 212,477       | -             |
|   | \$ 89,407,122 | \$ 84,773,086 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>               |               |               |
| <b>Current</b>  |               |               |
| Accounts payable and accrued liabilities (Notes 9 and 12) | \$ 1,753,716  | \$ 1,948,162  |
| Lease liability (Note 8)                                  | 44,092        | -             |
| Share subscriptions received in advance (Note 10)         | -             | 1,195,738     |
|   | 1,757,808     | 3,143,900     |
| <b>Lease liability (Note 8)</b>                           | 178,815       | -             |
| <b>Deferred tax liability (Note 13)</b>                   | 13,443        | 13,443        |
|   | 1,990,066     | 3,157,343     |
| <b>Shareholders' equity</b>                               |               |               |
| Share capital (Note 10)                                   | 105,642,901   | 98,212,123    |
| Reserves (Note 10)  | 18,273,632    | 16,369,510    |
| Deficit   | (37,714,146)  | (33,906,005)  |
| Equity attributable to the Company's shareholders         | 86,202,387    | 80,675,628    |
| Non-controlling interest (Note 11)                        | 1,214,669     | 940,115       |
|   | 87,417,056    | 81,615,743    |
|   | \$ 89,407,122 | \$ 84,773,086 |

**Nature of operations and going concern (Note 1)**  
**Contingency (Note 6(a))**  
**Subsequent events (Notes 5, 10, and 17)**

**Approved on behalf of the Board:**

*"Craig Dalziel"*

Craig Dalziel – Director

*"Ian Rice"*

Ian Rice – Director

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

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

(Expressed in Canadian Dollars)

For the Year Ended May 31,

|   | 2025                  | 2024                  |
|---|-----------------------|-----------------------|
| <b>Expenses</b>   |                       |                       |
| Consulting fees   | \$ 263,513            | \$ 285,928            |
| Foreign currency gain   | 71,145                | (8,558)               |
| Management and director fees (Note 12)  | 709,194               | 710,161               |
| Office and general  | 847,287               | 538,840               |
| Professional fees (Note 12)   | 477,200               | 568,869               |
| Share-based payment (Notes 10 and 12)   | 840,192               | 980,331               |
| Shareholder communications and investor relations                               | 179,440               | 70,228                |
| Transfer agent and filing fees  | 105,923               | 98,877                |
| Travel  | 142,656               | 119,853               |
| <b>Loss for the year</b>  | <b>(3,636,550)</b>    | <b>(3,364,529)</b>    |
| <b>Other comprehensive income</b>   |                       |                       |
| Gain on sale of marketable securities (Note 4)                                  | 102,963               | -                     |
| Unrealized gain (loss) on fair value of marketable securities (Note 4)          | 401,049               | (8,402)               |
| <b>Loss and comprehensive loss for the year</b>                                 | <b>\$ (3,132,538)</b> | <b>\$ (3,372,931)</b> |
| Loss and comprehensive loss attributable to:                                    |                       |                       |
| Equity holders of the Company   | \$ (3,407,092)        | \$ (3,294,693)        |
| Non-controlling interest (Note 11)  | 274,554               | (78,238)              |
|   | <b>\$ (3,132,538)</b> | <b>\$ (3,372,931)</b> |
| <b>Basic and diluted loss per common share</b>                                  | <b>\$ (0.01)</b>      | <b>\$ (0.02)</b>      |
| <b>Weighted average number of common shares outstanding - basic and diluted</b> | <b>245,420,837</b>    | <b>221,126,883</b>    |

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

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

(Expressed in Canadian Dollars)

|  | Share Capital |             | Reserves                          |                            | Deficit      | Non-controlling interest | Total       |
|--|---------------|-------------|-----------------------------------|----------------------------|--------------|--------------------------|-------------|
|  | Number        | Amount      | Other comprehensive income (loss) | Stock options and warrants |              |                          |             |
|  |               | \$          | \$                                | \$                         | \$           | \$                       | \$          |
| <b>May 31, 2023</b>  | 213,438,543   | 91,447,564  | (395,283)                         | 15,699,865                 | (32,375,066) | 2,773,705                | 77,150,785  |
| Shares issued for cash                                     | 15,627,915    | 6,831,245   | -                                 | 92,999                     | -            | -                        | 6,924,244   |
| Shares issued for finders' fees                            | 148,000       | 61,005      | -                                 | -                          | -            | -                        | 61,005      |
| Share issue costs  | -             | (127,691)   | -                                 | -                          | -            | -                        | (127,691)   |
| Unrealized loss on fair value of marketable securities     | -             | -           | (8,402)                           | -                          | -            | -                        | (8,402)     |
| Share-based payment  | -             | -           | -                                 | 980,331                    | -            | -                        | 980,331     |
| Increase in ownership of subsidiary                        | -             | -           | -                                 | -                          | 1,755,352    | (1,755,352)              | -           |
| Loss for the year  | -             | -           | -                                 | -                          | (3,286,291)  | (78,238)                 | (3,364,529) |
| <b>May 31, 2024</b>  | 229,214,458   | 98,212,123  | (403,685)                         | 16,773,195                 | (33,906,005) | 940,115                  | 81,615,743  |
| Shares issued for cash                                     | 23,265,350    | 8,064,518   | -                                 | 562,045                    | -            | -                        | 8,626,563   |
| Share issue costs  | -             | (633,740)   | -                                 | 100,836                    | -            | -                        | (532,904)   |
| Gain on sale of marketable securities                      | -             | -           | 102,963                           | -                          | -            | -                        | 102,963     |
| Reallocation of value on disposal of marketable securities | -             | -           | (102,963)                         | -                          | 102,963      | -                        | -           |
| Unrealized gain on fair value of marketable securities     | -             | -           | 401,049                           | -                          | -            | -                        | 401,049     |
| Share-based payment  | -             | -           | -                                 | 840,192                    | -            | -                        | 840,192     |
| Loss for the year  | -             | -           | -                                 | -                          | (3,911,104)  | 274,554                  | (3,636,550) |
| <b>May 31, 2025</b>  | 252,479,808   | 105,642,901 | (2,636)                           | 18,276,268                 | (37,714,146) | 1,214,669                | 87,417,056  |

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

**OROCO RESOURCE CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
For the Year Ended May 31,

|   | 2025           | 2024           |
|---|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |                |
| Loss for the year                             | \$ (3,636,550) | \$ (3,364,529) |
| Adjusted for items not involving cash:        |                |                |
| Depreciation                                  | 42,495         | -              |
| Foreign exchange                              | (6,743)        | (2,158)        |
| Interest on lease liability                   | 20,064         | -              |
| Share-based payment                           | 840,192        | 980,331        |
| Changes in working capital items:             |                |                |
| Receivables                                   | (13,676)       | (37,075)       |
| Prepaid expenses and advances                 | 78,017         | 148,773        |
| Accounts payable and accrued liabilities      | 36,117         | 286,606        |
| Net cash used in operating activities         | (2,640,084)    | (1,988,052)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |                |
| Exploration and evaluation expenditures       | (5,187,104)    | (6,692,330)    |
| Proceeds on sale of marketable securities     | 322,026        | -              |
| Net cash used in investing activities         | (4,865,078)    | (6,692,330)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                |                |
| Proceeds from private placement shares issued | 7,430,825      | 6,924,244      |
| Share subscriptions received in advance       | -              | 1,195,738      |
| Share issue cost                              | (532,904)      | (66,686)       |
| Lease payments                                | (52,129)       | -              |
| Net cash provided by financing activities     | 6,845,792      | 8,053,296      |
| <b>Change in cash</b>                         | (659,370)      | (627,086)      |
| <b>Cash, beginning of year</b>                | 828,999        | 1,456,085      |
| <b>Cash, end of year</b>                      | \$ 169,629     | \$ 828,999     |

**Supplemental cash flow information** (Note 14)

The accompanying notes are an integral part of these 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 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 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, political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of such conflicts 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized by the Audit Committee and Board of Directors of the Company on September 26, 2025.

### **Basis of presentation**

These 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 as explained in the material accounting policy information set out in Note 3. Except as described in Note 3, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### **Functional and presentation currency**

These 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 CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

May 31, 2025

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

These 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                   | 95%                     | 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 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 depreciations methods and rates as indicated below. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining depreciation rate. Depreciation commences on the date the asset is available for its use as intended by management.

### **Significant judgments**

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

Going concern - The Company has exercised judgment in determining whether its available funds are sufficient to continue operations for 12 months from the end of the reporting period.

## **3. MATERIAL ACCOUNTING POLICY INFORMATION**

### **Financial instruments**

#### Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVTOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets consist of: cash and receivables classified at amortized cost; and marketable securities classified at FVTOCI.

#### Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

### **3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)**

#### **Financial instruments (cont'd...)**

##### Financial liabilities (cont'd...)

The Company's financial liabilities consist of: accounts payable and accrued liabilities, lease liability, and share subscriptions received in advance classified at amortized cost.

##### Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

#### **Exploration and evaluation assets**

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition and exploration of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

The Company does not have any producing mineral properties and all of its efforts to date have been exploratory in nature. Upon the establishment of commercial production, carrying values of deferred acquisition and exploration costs are amortized over the estimated life of the mine using the units of production method.

### **3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)**

#### **Provisions**

##### *Rehabilitation provisions*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the rehabilitation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Subsequently, these capitalized rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no measurable rehabilitation obligations for the years presented.

##### *Other provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company had no other provisions for the years presented.

#### **Impairment**

At the end of each reporting period, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimated recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)**

#### **Equipment**

Equipment is stated at cost less accumulated depreciation. Depreciation is provided for using the following methods at the following rates per annum:

|  |     |
|--|-----|
| Transportation equipment (straight line) | 25% |
| Machinery and equipment (straight line)  | 10% |
| Camps (straight line)                    | 5%  |
| Computer equipment (straight line)       | 30% |
| Leaseholds (declining balance)           | 20% |
| Furniture and equipment (straight line)  | 10% |

#### **Leases**

##### Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over its lease term. Right-of-use assets are subject to evaluation of potential impairment.

##### Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments). The lease payments also include the exercise price of purchase options, if any, reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

##### Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### **3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)**

#### **Foreign currency translation**

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

#### **Share-based payments**

The fair value of options granted is recognized as stock-based compensation expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The Company accounts for the granting of stock options, direct awards of stock to employees, directors and nonemployees, and compensatory warrants using the fair value method whereby all awards will be recorded at fair value on the date of grant. Stock based compensation awards are calculated using the Black-Scholes option pricing model. Compensation expense is recognized immediately for past services and pro rata for future services over the vesting period with a corresponding increase in reserves. Consideration paid on the exercise of compensatory warrants is credited to share capital and the fair value of the compensatory warrants is reclassified from reserves to share capital.

#### **Income (loss) per share**

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. There was no dilutive effect for the years presented.

#### **Share capital**

Common shares are classified as share capital. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as a deduction from equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

### **3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)**

#### **Income taxes**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **Changes to accounting policies**

The following amendments to existing standards have been adopted by the Company commencing June 1, 2024:

##### *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. The adoption of these amendments did not materially impact these consolidated financial statements.

#### **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, 2025 which have not been applied in preparing these 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:

##### *IFRS 18, Presentation and Disclosure in Financial Statements*

IFRS 18 will replace IAS 1; many of the existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its operating profit or loss. The Company is currently assessing the impact of this new accounting standard on its financial statements.



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**4. MARKETABLE SECURITIES**

As at May 31, 2025, the Company owned 207,825 (2024 - 560,125) Goldgroup Mining Inc. ("Goldgroup") shares with a fair value of \$201,590 (2024 - \$19,604). The change in market value of the shares resulted in the recording of other comprehensive gain (loss) of \$401,049 for the year ended May 31, 2025 (2024 - \$(8,402)). During year ended May 31, 2025, the Company sold 352,300 (2024 - nil) Goldgroup shares for proceeds of \$322,026 (2024 - \$nil) resulting in a gain on sale of \$102,963 (2024 - \$nil).

As at May 31, 2025, the Company owned 375,000 (May 31, 2024 - 375,000) common shares in a private British Columbia company ("BC Co.") with a fair value of \$nil (May 31, 2024 - \$nil).

|                       | Goldgroup |            | BC Co.  |        | Total      |
|-----------------------|-----------|------------|---------|--------|------------|
|                       | Number    | Amount     | Number  | Amount | Amount     |
| May 31, 2023          | 560,125   | \$ 28,006  | 375,000 | \$ -   | \$ 28,006  |
| Fair value adjustment | -         | (8,402)    | -       | -      | (8,402)    |
| May 31, 2024          | 560,125   | 19,604     | 375,000 | -      | 19,604     |
| Disposals             | (352,300) | (322,026)  | -       | -      | (322,026)  |
| Gain on sale          | -         | 102,963    | -       | -      | 102,963    |
| Fair value adjustment | -         | 401,049    | -       | -      | 401,049    |
| May 31, 2025          | 207,825   | \$ 201,590 | 375,000 | \$ -   | \$ 201,590 |

**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") on each of the first 90,000 ounces of gold produced from the Property, subject to the respective monthly average of the daily PM London gold fix being in excess of US\$1,250 per ounce, to a maximum royalty of US\$90 per ounce. The production of the first 90,000 ounces was achieved in August 2022. As at May 31, 2025, the Company is owed \$1,053,744 (2024 - \$1,076,781) by Goldgroup in connection with the Production Royalty. Subsequent to May 31, 2025, the Company received the full balance owed in connection with the Production Royalty.

**6. EXPLORATION AND EVALUATION ASSETS**

|                                     | Santo Tomas<br>Properties | Xochipala<br>Property | Total         |
|-------------------------------------|---------------------------|-----------------------|---------------|
| May 31, 2024                        | \$ 78,697,061             | \$ 487,163            | \$ 79,184,224 |
| Deferred exploration expenditures   |                           |                       |               |
| Camp                                | 161,272                   | -                     | 161,272       |
| Community relations                 | 49,223                    | -                     | 49,223        |
| Fieldwork, physical and technical   | 2,300,705                 | -                     | 2,300,705     |
| Health, safety, and risk management | 10,369                    | -                     | 10,369        |
| Logistics and support               | 903,372                   | -                     | 903,372       |
| Property maintenance                | 1,223,131                 | 66,359                | 1,289,490     |
| Technical and project management    | 320,183                   | -                     | 320,183       |
| VAT                                 | 317,504                   | 16,013                | 333,517       |
|                                     | 5,285,759                 | 82,372                | 5,368,131     |
| May 31, 2025                        | \$ 83,982,820             | \$ 569,535            | \$ 84,552,355 |

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

|                                     | Santo Tomas<br>Properties | Xochipala<br>Property | Total         |
|-------------------------------------|---------------------------|-----------------------|---------------|
| May 31, 2023                        | \$ 72,618,719             | \$ 438,812            | \$ 73,057,531 |
| Deferred exploration expenditures   |                           |                       |               |
| Camp                                | 112,618                   | -                     | 112,618       |
| Community relations                 | 34,373                    | -                     | 34,373        |
| Fieldwork, physical and technical   | 3,062,543                 | -                     | 3,062,543     |
| Health, safety, and risk management | 200,662                   | -                     | 200,662       |
| Laboratory                          | 13,333                    | -                     | 13,333        |
| Logistics and support               | 1,131,969                 | -                     | 1,131,969     |
| Property maintenance                | 1,096,683                 | 40,778                | 1,137,461     |
| Technical and project management    | 212,138                   | -                     | 212,138       |
| VAT                                 | 214,023                   | 7,573                 | 221,596       |
|                                     | 6,078,342                 | 48,351                | 6,126,693     |
| May 31, 2024                        | \$ 78,697,061             | \$ 487,163            | \$ 79,184,224 |

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

*Core Concessions*

The Company, through XG, holds a registered 100% interest in certain mineral concessions (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 initial 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 surrounding Papago 17, La China II, Rossy, Rossy 1, Papago Fraccion 1 and AMP Santo Tomas Red 1 concessions (collectively, the “Peripheral Concessions” and together with the Core Concessions, the “Santo Tomas Properties”), including; (a) the assignment to the Company of majority interests in the Peripheral Concessions; 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 has been diluted down to an aggregate 10% on a pro-rata basis upon the funding of \$30,000,000 (completed) of expenditures on the combined Santo Tomas Properties.

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

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

*The Peripheral Concessions*

The Company, through MX, holds an 80% interest in each of the six Peripheral Concessions, which 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.

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 in consideration for 500,000 common shares, valued at \$137,500, and US\$500,000, to be paid by way of one payment of US\$50,000 at the time of signing the agreement (paid), a second payment of US\$50,000 (paid) and a final payment of US\$400,000. The final payment of US\$400,000 payment is due upon the direct or indirect sale, assignment or transfer of the Core Concessions to a third party.

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

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

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

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

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**7. EQUIPMENT**

|                                 | Camps        | Transportation<br>equipment | Machinery<br>and<br>equipment | Computer<br>equipment | Leaseholds | Furniture<br>and<br>equipment | Total        |
|---------------------------------|--------------|-----------------------------|-------------------------------|-----------------------|------------|-------------------------------|--------------|
| <b>Cost</b>                     |              |                             |                               |                       |            |                               |              |
| May 31, 2023                    | \$ 2,153,119 | \$ 523,629                  | \$ 1,480,369                  | \$ 66,552             | \$ 10,017  | \$ 300,382                    | \$ 4,534,068 |
| Adjustment                      | (182,556)    | -                           | -                             | -                     | -          | -                             | (182,556)    |
| May 31, 2024                    | 1,970,563    | 523,629                     | 1,480,369                     | 66,552                | 10,017     | 300,382                       | 4,351,512    |
| Additions                       | -            | -                           | -                             | -                     | -          | -                             | -            |
| May 31, 2025                    | \$ 1,970,563 | \$ 523,629                  | \$ 1,480,369                  | \$ 66,552             | \$ 10,017  | \$ 300,382                    | \$ 4,351,512 |
| <b>Accumulated depreciation</b> |              |                             |                               |                       |            |                               |              |
| May 31, 2023                    | \$ 155,091   | \$ 272,331                  | \$ 228,731                    | \$ 43,330             | \$ 10,017  | \$ 55,854                     | \$ 765,354   |
| Depreciation                    | 105,439      | 129,890                     | 151,105                       | 13,535                | -          | 31,927                        | 431,896      |
| May 31, 2024                    | \$ 260,530   | \$ 402,221                  | \$ 379,836                    | \$ 56,865             | \$ 10,017  | \$ 87,781                     | \$ 1,197,250 |
| Depreciation                    | 86,106       | 102,984                     | 151,105                       | 9,687                 | -          | 31,927                        | 381,809      |
| May 31, 2025                    | \$ 346,636   | \$ 505,205                  | \$ 530,941                    | \$ 66,552             | \$ 10,017  | \$ 119,708                    | \$ 1,579,059 |
| <b>Net book value</b>           |              |                             |                               |                       |            |                               |              |
| May 31, 2024                    | \$ 1,710,033 | \$ 121,408                  | \$ 1,100,533                  | \$ 9,687              | \$ -       | \$ 212,601                    | \$ 3,154,262 |
| May 31, 2025                    | \$ 1,623,927 | \$ 18,424                   | \$ 949,428                    | \$ -                  | \$ -       | \$ 180,674                    | \$ 2,772,453 |

During the year ended May 31, 2025, depreciation of \$381,809 (2024 - \$431,896) was attributed to logistics and support within exploration and evaluation assets. The Company previously rented office space under an operating lease, included in office and general, with monthly payments of \$6,100 (2024 - \$6,100). During the year ended May 31, 2025, the Company entered into a new operating lease for its office (Note 8).

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**8. RIGHT-OF-USE ASSET AND LEASE LIABILITY**

Set out below are the carrying amounts of the Company's right-of-use asset and lease liability and the movements.

|                               | <b>Right-of-use asset</b> | <b>Lease liability</b> |
|-------------------------------|---------------------------|------------------------|
| May 31, 2023 and May 31, 2024 | \$ -                      | \$ -                   |
| Additions                     | 254,972                   | 254,972                |
| Depreciation expense          | (42,495)                  | -                      |
| Interest expense              | -                         | 20,064                 |
| Payments                      | -                         | (52,129)               |
| <b>May 31, 2025</b>           | <b>\$ 212,477</b>         | <b>\$ 222,907</b>      |

As at May 31, 2025, the current portion of the lease liability was \$44,092 (2024 - \$nil) and the long-term portion was \$178,815 (2024 - \$nil). Depreciation of right-of-use asset and interest expense related to lease liability is included in office and general. Also included in office and general are rent costs of \$47,479 (2024 - \$nil) related to the variable portion of the lease.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are comprised of the following:

|                     | <b>May 31, 2025</b> | <b>May 31, 2024</b> |
|---------------------|---------------------|---------------------|
| Accounts payable    | \$ 1,486,586        | \$ 1,600,213        |
| Accrued liabilities | 267,130             | 347,949             |
|                     | <b>\$ 1,753,716</b> | <b>\$ 1,948,162</b> |

**10. SHARE CAPITAL AND RESERVES**

**Authorized**

An unlimited number of common shares without par value.

**Issued share capital**

During the year ended May 31, 2025, the Company issued:

- i. 14,051,127 units at a price of \$0.45 per unit by way of a brokered private placement for total proceeds of \$6,323,007, of which \$1,195,738 was received in fiscal 2024. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of \$0.65 per common share for a period of 24 months from the date of issue. The 7,025,561 warrants were valued at \$562,045, calculated using the residual value method. The Company paid cash finders' and other fees of \$515,836 and issued 703,399 finders' warrants. Each finder's warrant will entitle the holder to acquire an additional common share at a price of \$0.45 per common share for a period of 24 months from the date of issue. The finders' warrants were valued at \$100,418, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.93%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 65%.

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

**Issued share capital (cont'd...)**

- ii. 9,214,223 units at a price of \$0.25 per unit by way of a brokered private placement for total proceeds of \$2,303,556. Each unit consists 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 \$0.40 per common share for a period of 24 months from the date of issue. The 9,214,223 warrants were valued at \$nil, calculated using the residual value method. The Company paid cash finder's and other fees of \$17,068 and issued 3,600 finders' warrants. Each finder's warrant will entitle the holder to acquire an additional common share at a price of \$0.25 per common share for a period of 24 months from the date of issue. The finder's warrants were valued at \$418, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 2.57%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 64%.

During the year ended May 31, 2024, 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;
- ii. 6,729,850 units at a price of \$0.40 per unit by way of a non-brokered private placement for total proceeds of \$2,691,940, 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 \$0.65 per common share, for a period of 18 months from the date of issue. The 6,729,850 warrants were valued at \$67,298, calculated using the residual value method;
- iii. 3,635,757 units at a price of \$0.40 per unit by way of a non-brokered private placement for total proceeds of \$1,454,304, 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 \$0.65 per common share for a period of 18 months from the date of issue. The 3,635,757 warrants were valued at \$nil, calculated using the residual value method. The Company issued 73,000 common shares, valued at \$31,755 for finder's fees; and
- iv. 2,570,000 units at a price of \$0.40 per unit by way of a non-brokered private placement for total proceeds of \$1,028,000, 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 \$0.65 per common share for a period of 18 months from the date of issue. The 2,570,000 warrants were valued at \$25,701, calculated using the residual value method. The Company issued 75,000 common shares, valued at \$29,250 for finder's fees.

**Warrants**

Warrant transactions are summarized as follows:

|   | Number of<br>warrants | Weighted average<br>exercise price |
|---|-----------------------|------------------------------------|
| Balance, outstanding as at May 31, 2023 | 14,156,574            | \$ 2.09                            |
| Issued                                  | 15,627,915            | 0.69                               |
| Expired                                 | (10,924,111)          | 2.39                               |
| Balance, outstanding as at May 31, 2024 | 18,860,378            | 0.75                               |
| Issued                                  | 16,946,783            | 0.51                               |
| Expired                                 | (9,962,313)           | 0.78                               |
| Balance, outstanding as at May 31, 2025 | 25,844,848            | \$ 0.58                            |

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

**Warrants (cont'd...)**

Warrants outstanding as at May 31, 2025 are as follows:

| Number of warrants | Exercise price | Weighted average remaining life (years) | Expiry date                    |
|--------------------|----------------|---|--------------------------------|
| 3,635,757          | \$ 0.65        | 0.12                                    | July 15, 2025 <sup>(1)</sup>   |
| 2,570,000          | \$ 0.65        | 0.21                                    | August 15, 2025 <sup>(1)</sup> |
| 2,692,308          | \$ 0.90        | 0.21                                    | August 15, 2025 <sup>(1)</sup> |
| 7,025,561          | \$ 0.65        | 1.02                                    | June 6, 2026                   |
| 703,399            | \$ 0.45        | 1.02                                    | June 6, 2026                   |
| 9,214,223          | \$ 0.40        | 1.75                                    | February 28, 2027              |
| 3,600              | \$ 0.25        | 1.75                                    | February 28, 2027              |
| 25,844,848         |                |   |                                |

<sup>(1)</sup> expired, unexercised subsequent to year end

**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 10 years and vesting is determined by the Board of Directors.

During the year ended May 31, 2025, a total of nil (2024 - 6,385,000) stock options were granted to certain employees, consultants, directors and officers of the Company with a fair value of \$nil (2024 - \$1,735,791) using the Black-Scholes option pricing model and a total of 7,730,000 (2024 - 2,742,000) stock options expired or were forfeited. During the year ended May 31, 2025, the Company recognized \$840,192 (2024 - \$980,331) 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 year ended<br>May 31, 2025 | For the year ended<br>May 31, 2024 |
|---------------------------------|------------------------------------|------------------------------------|
| Risk-free interest rate         | n/a                                | 3.99%                              |
| Expected option life in years   | n/a                                | 3.0                                |
| Expected stock price volatility | n/a                                | 60%                                |
| Expected forfeiture rate        | n/a                                | 0%                                 |

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

**Options (cont'd...)**

Option transactions are summarized as follows:

|   | Number of<br>options | Weighted average<br>exercise price |
|---|----------------------|------------------------------------|
| Balance, outstanding as at May 31, 2023 | 10,192,000           | \$ 1.66                            |
| Granted                                 | 6,385,000            | 0.75                               |
| Expired/forfeited                       | (2,742,000)          | 0.80                               |
| Balance, outstanding as at May 31, 2024 | 13,835,000           | 1.41                               |
| Expired/forfeited                       | (7,730,000)          | 1.90                               |
| Balance, outstanding as at May 31, 2025 | 6,105,000            | \$ 0.78                            |
| Balance, exercisable as at May 31, 2025 | 6,105,000            | \$ 0.78                            |

Options outstanding as at May 31, 2025 are as follows:

| Number of<br>options | Number of<br>exercisable<br>options | Exercise price | Weighted average<br>remaining life<br>(years) | Expiry date       |
|----------------------|-------------------------------------|----------------|---|-------------------|
| 150,000              | 150,000                             | \$ 1.10        | 0.70  | February 12, 2026 |
| 450,000              | 450,000                             | \$ 1.10        | 0.84  | April 3, 2026     |
| 5,505,000            | 5,505,000                           | \$ 0.75        | 1.85  | April 8, 2027     |
| 6,105,000            | 6,105,000                           |                | 1.75  |                   |

**11. NON-CONTROLLING INTEREST**

On March 2, 2020, the Company acquired 100 shares (67%) of XG, through the acquisition of Altamura. In fiscal 2020, 2021 and 2024, the Company acquired an additional 375 shares (25 in fiscal 2020, 30 in fiscal 2021 and 320 in fiscal 2024) for total ownership as at May 31, 2025 of 475 of 500 shares, representing 95% of XG's equity (2024 - 95%).

As at May 31, 2025, the equity attributable to the 5% (2024 - 5%) non-controlling interest in XG is as follows:

|                              | Total        |
|------------------------------|--------------|
| May 31, 2023                 | \$ 2,773,705 |
| 9% interest acquired         | (1,755,352)  |
| Share of loss for the year   | (78,238)     |
| May 31, 2024                 | 940,115      |
| Share of income for the year | 274,554      |
| May 31, 2025                 | \$ 1,214,699 |



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**11. NON-CONTROLLING INTEREST (cont'd...)**

As at May 31, 2025 and May 31, 2024 and for the years ended May 31, 2025 and May 31, 2024, summarized financial information about XG is as follows:

|  | May 31, 2025 | May 31, 2024   |
|--|--------------|----------------|
| Current assets   | \$ 272,527   | \$ 317,433     |
| Non-current assets   | 71,686,840   | 68,526,493     |
| Current liabilities  | (906,457)    | (829,377)      |
| Non-current liabilities                                    | (46,759,544) | (49,212,255)   |
| Income (loss) and comprehensive income (loss) for the year | \$ 5,491,072 | \$ (1,168,382) |

The income (loss) and comprehensive income (loss) of XG for the year ended May 31, 2025 was \$5,491,072 (2024 - \$(1,168,382)). The income (loss) allocated to non-controlling interest based on an interest of 5% (2024 - 5%) for the year ended May 31, 2025 was \$274,554 (2024 - \$(78,238)).

**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 year<br>ended<br>May 31, 2025 | For the year<br>ended<br>May 31, 2024 |
|------------------------------|---------------------------------------|---------------------------------------|
| Management and director fees | \$ 709,194                            | \$ 710,161                            |
| Professional fees            | 138,000                               | 138,000                               |
| Share-based payment          | 404,658                               | 499,566                               |
| Total                        | \$ 1,251,852                          | \$ 1,347,727                          |

As at May 31, 2025 included in accounts payable and accrued liabilities was \$442,997 (2024 - \$452,962) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

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**13. DEFERRED INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

|  | May 31, 2025   | May 31, 2024   |
|--|----------------|----------------|
| Loss for the year before income taxes                              | \$ (3,636,550) | \$ (3,364,529) |
| Expected income tax (recovery)                                     | \$ (982,000)   | \$ (908,000)   |
| Change in statutory, foreign tax, foreign exchange rates and other | 2,080,000      | (350,000)      |
| Permanent differences  | 290,000        | 237,000        |
| Impact of fair value adjustment via other comprehensive income     | 54,000         | (2,000)        |
| Share issue costs  | (144,000)      | (45,000)       |
| Adjustment to prior years provision versus statutory tax returns   | (155,000)      | 69,000         |
| Change in unrecognized deductible temporary differences            | (1,143,000)    | 999,000        |
| Total deferred income tax expense                                  | \$ -           | \$ -           |

The Company's deferred income tax liability relates to the Mexican mining royalty at the rate of 7.5%, increased to 8.5% effective January 1, 2025, which was enacted in Mexico from January 1, 2014 on a prospective basis and applies to earnings before the deduction of interest, taxes, depreciation and amortization. The significant components of the Company's deferred tax liabilities are as follows:

|  | May 31, 2025 | May 31, 2024 |
|--|--------------|--------------|
| <b>Deferred tax liabilities</b>                            |              |              |
| Exploration and evaluation assets – Mexican mining royalty | \$ 13,443    | \$ 13,443    |
|  | \$ 13,443    | \$ 13,443    |

The significant components of the Company's unrecorded deferred tax assets are as follows:

|  | May 31, 2025 | May 31, 2024 |
|--|--------------|--------------|
| <b>Deferred tax assets (liabilities)</b> |              |              |
| Marketable securities                    | \$ 10,000    | \$ 69,000    |
| Exploration and evaluation assets        | 896,000      | 2,677,000    |
| Equipment                                | 111,000      | 268,000      |
| Right-of-use asset and lease liability   | 3,000        | -            |
| Share issue costs                        | 197,000      | 138,000      |
| Allowable capital losses                 | 844,000      | 857,000      |
| Non-capital losses                       | 5,854,000    | 5,049,000    |
|  | 7,915,000    | 9,058,000    |
| Unrecognized deferred tax assets         | (7,915,000)  | (9,058,000)  |
| Net deferred tax assets                  | \$ -         | \$ -         |

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**13. DEFERRED INCOME TAXES (cont'd...)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

|  | 2025          | Expiry Date Range |
|--|---------------|-------------------|
| Temporary differences                  |               |                   |
| Marketable securities                  | \$ 75,000     | No expiry date    |
| Exploration and evaluation assets      | \$ 3,027,000  | No expiry date    |
| Equipment                              | \$ 372,000    | No expiry date    |
| Right-of-use asset and lease liability | \$ 10,000     | No expiry date    |
| Share issue costs                      | \$ 728,000    | 2026 to 2029      |
| Allowable capital losses               | \$ 3,124,000  | No expiry date    |
| Non-capital losses                     | \$ 21,581,000 | 2027 to 2045      |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

|   | For the year<br>ended<br>May 31, 2025 | For the year<br>ended<br>May 31, 2024 |
|---|---------------------------------------|---------------------------------------|
| Non-cash transactions not included in investing or financing activities |                                       |                                       |
| Exploration and evaluation assets included in accounts payable          | \$ 993,017                            | \$ 1,193,799                          |
| Common shares issued for finders' fees                                  | \$ -                                  | \$ 61,005                             |
| Royalty receivable settled with accounts payable                        | \$ 29,781                             | \$ 50,913                             |
| Equipment settled with accounts payable                                 | \$ -                                  | \$ 182,556                            |
| Recognition of right-of-use asset and lease liability                   | \$ 254,972                            | \$ -                                  |
| Allocation of share subscriptions received in advance to share capital  | \$ 1,195,738                          | \$ -                                  |
| Finders' warrants issued included in share issue costs                  | \$ 100,836                            | \$ -                                  |
| Residual value of warrants in private placements                        | \$ 562,045                            | \$ 92,999                             |
| Depreciation on equipment included in exploration and evaluation assets | \$ 381,809                            | \$ 431,896                            |
| Gain on sale of marketable securities                                   | \$ 102,963                            | \$ -                                  |
| Unrealized change on fair value of marketable securities                | \$ 401,049                            | \$ 8,402                              |

**15. 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 May 31, 2025

|                                   | Canada       | Mexico        | Total         |
|-----------------------------------|--------------|---------------|---------------|
| Equipment                         | \$ -         | \$ 2,772,453  | \$ 2,772,453  |
| Exploration and evaluation assets | -            | 84,552,355    | 84,552,355    |
| Other assets                      | 1,754,047    | 328,267       | 2,082,314     |
| Total assets                      | \$ 1,754,047 | \$ 87,653,075 | \$ 89,407,122 |

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**15. SEGMENTED INFORMATION (cont'd...)**

As at May 31, 2024

|                                   | Canada       | Mexico        | Total         |
|-----------------------------------|--------------|---------------|---------------|
| Equipment                         | \$ -         | \$ 3,154,262  | \$ 3,154,262  |
| Exploration and evaluation assets | -            | 79,184,224    | 79,184,224    |
| Other assets                      | 2,073,990    | 360,610       | 2,434,600     |
| Total assets                      | \$ 2,073,990 | \$ 82,669,096 | \$ 84,773,086 |

**16. 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 year ended May 31, 2025.

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 carrying value of lease liability approximated their fair value as the interest rates are comparable to current market rates. The Goldgroup shares, recorded in marketable securities, are measured using level 1 of the fair value hierarchy. The BC Co., shares recorded in marketable securities, are measured using level 3 of the fair value hierarchy. Investments classified within level 3 have significant unobservable inputs. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value.

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

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

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts and receivables. The bank accounts are mainly held with a major Canadian bank and this minimizes the risk to the Company. Receivables are due primarily from Goldgroup.

### **Liquidity Risk**

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

### **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 as at May 31, 2025 is approximately \$10,000.

### **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.

## **17. SUBSEQUENT EVENTS**

Subsequent to May 31, 2025, the Company:

- i. acquired an option, subject to TSX-V approval, to purchase a 100% interest in the Vainilla mineral concession located in the southern extension of the Santo Tomas copper porphyry trend for initial consideration of USD \$75,000 in cash and 100,000 common shares. Maintenance and exercise of the option is subject to additional consideration;
- ii. issued 1,560,000 common shares and granted 780,000 options to Whittle Consulting Ltd. ("Whittle") as partial compensation for its strategic option study of the Santo Tomas Project. The options are exercisable at a price of \$0.45 per common share for a period of three years, vesting 1/2 on each of the date of grant and date of delivery by Whittle of the strategic option study; and
- iii. granted 250,000 options, exercisable at a price of \$0.35 per common share for a period of three years, vesting 1/5 on each of the date of grant and every three months thereafter.