OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

FEBRUARY 28, 2017

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

	February 28, 2017	May 31, 2016
ASSETS		
Current		
Cash	$ 1,714,322	$ 407,127
Receivables	127,091	384,907
Prepaid expenses and advances	5,112	8,826
First note receivable (Note 5)	-	1,055,355
	1,846,525	1,856,215
Available for sale securities (Notes 6)	1,316,152	2,028,365
Exploration and evaluation assets (Note 4)	283,055	250,355
Equipment (Note 7)	8,466	9,617
	$ 3,454,198	$ 4,144,552
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and accrued liabilities	$ 191,131	$ 260,279
Deferred tax liability	13,443	13,443
	204,574	273,722
Shareholders' equity		
Share capital (Note 8)	16,973,847	16,973,847
Reserves (Note 8)	2,473,136	3,238,582
Deficit	(16,197,359)	(16,341,599)
	3,249,624	3,870,830
	$ 3,454,198	$ 4,144,552

Nature of operations (Note 1)

Approved on behalf of the Board:

"Craig Dalziel"	*"Steve Vanry"*
Craig Dalziel – Director	Steve Vanry – Director

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

	For the Three Months Ended February 28, 2017	For the Three Months Ended February 29, 2016	For the Nine Months Ended February 28, 2017	For the Nine Months Ended February 29, 2016
Expenses				
Business development	$ 24,775	$ -	$ 68,158	$ -
Depreciation	384	481	1,151	1,446
Consulting fees	17,400	31,833	52,000	79,833
Foreign currency loss (gain)	18,897	(20,020)	(18,017)	(104,121)
Management and director fees	60,500	59,737	182,500	175,974
Office and general	20,501	25,486	62,895	74,833
Professional fees	41,356	52,189	120,580	153,951
Property investigation costs	16,257	-	16,257	32,881
Rent	13,746	13,589	45,424	42,866
Shareholder communications and investor relations	-	429	300	10,991
Transfer agent and filing fees	7,132	3,613	21,297	14,478
Travel	-	4,886	-	13,926
Operating loss	(220,948)	(172,223)	(552,545)	(497,058)
Interest income (Note 5)	-	39,577	41,941	100,336
Gain (loss) on sale of available for sale securities (Note 6)	-	(506,994)	511,103	(1,064,029)
Gain on settlement of accounts payable	42,161	-	42,161	69,612
Gain on sale of subsidiary	-	5,171	-	5,171
Loss on valuation of second note receivable	-	-	-	(577,500)
Other income	-	77,402	-	110,085
Permanent impairment reversal of available for sale securities	-	219,115	-	1,035,991
Royalty revenue	-	-	101,580	-
	42,161	(165,729)	696,785	(320,334)
Net income (loss) for the period	(178,787)	(337,952)	144,240	(817,392)
Loss on fair value of available for sale securities	(68,703)	-	(765,446)	-
Comprehensive loss for the period	$ (247,490)	$ (337,952)	$ (621,206)	$ (817,392)
Basic and diluted income (loss) per common share	$ (0.00)	$ (0.00)	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	77,947,405	77,947,405	77,947,405	77,947,405

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

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

	Share Capital		Reserves			
	Number	Amount	Other comprehensive income	Stock options and warrants	Deficit	Total
		$	$	$	$	$
May 31, 2015	77,947,405	16,973,847	-	2,110,254	(15,602,637)	3,481,464
Loss for the period	-	-	-	-	(817,392)	(817,392)
February 29, 2016	77,947,405	16,973,847	-	2,110,254	(16,420,029)	2,664,072
May 31, 2016	77,947,405	16,973,847	1,128,328	2,110,254	(16,341,599)	3,870,830
Loss on fair value of available for sale securities	-	-	(765,446)	-	-	(765,446)
Income for the period	-	-	-	-	144,240	144,240
February 28, 2017	77,947,405	16,973,847	362,882	2,110,254	(16,197,359)	3,249,624

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

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

	For the Nine Months Ended February 28, 2017	For the Nine Months Ended February 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	$ 144,240	$ (817,392)
Adjusted for items not involving cash:		
Depreciation	1,151	1,446
Loss (gain) on sale of available for sale securities	(511,103)	1,064,029
Gain on settlement of accounts payable	(42,161)	(69,612)
Loss on valuation of second note receivable	-	577,500
Accrued royalty income	(5,614)	-
Foreign exchange gain	(14,322)	(116,968)
Shares received for VAT refund	-	(77,402)
Gain on sale of subsidiary	-	(5,171)
Permanent impairment reversal of available for sale securities	-	(1,035,991)
Accrued interest revenue	-	(100,336)
Changes in working capital items:		
Receivables	(238,987)	(3,973)
Prepaid expenses and advances	3,714	(2,091)
Trade payables and accrued liabilities	(29,899)	(59,512)
Non-refundable deposit	-	67,655
Net cash used in operating activities	(692,981)	(577,818)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(29,788)	(21,018)
Royalty revenue	103,911	134
Interest income on first note receivable	17,010	42,861
First note receivable	1,451,173	66,310
Acquisition of available for sale securities	(221,524)	(256,993)
Proceeds on sale of available for sale securities	679,394	728,473
Cash given up on sale of subsidiary	-	(3,829)
Net cash provided by investing activities	2,000,176	555,938
Change in cash	1,307,195	(21,880)
Cash, beginning of period	407,127	419,986
Cash, end of period	$ 1,714,322	$ 398,106

Supplemental cash flow information (Note 11)

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

1. NATURE OF OPERATIONS

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

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

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

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

2. BASIS OF PRESENTATION

Statement of compliance

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

These condensed interim consolidated financial statements were authorized by the Audit Committee and Board of Directors of the Company on April 28, 2017.

Basis of presentation

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

2. BASIS OF PRESENTATION (cont'd…)

Functional and presentation currency

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

Basis of consolidation

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

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

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

Significant estimates

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

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

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

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

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

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

The Company has not recorded any deferred tax assets.

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

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

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

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are, but are not limited to, the following:

Determination of functional currency - The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended May 31, 2016, except as noted below.

New accounting policies adopted

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

IFRS 11, Joint arrangements

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

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

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

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

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

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

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

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

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

IFRS 9, Financial instruments

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

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

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Xochipala Property	Total
Balance at May 31, 2016	$ 250,355	$ 250,355
Deferred exploration expenditures:		
Geologists	23,960	23,960
VAT	3,834	3,834
Lease payments, assessment fees and taxes	4,906	4,906
	32,700	32,700
Balance at February 28, 2017	$ 283,055	$ 283,055

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

(a) Xochipala Property, Guerrero State, Mexico

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

(b) Salvador Property, Guerrero State, Mexico

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

5. SALE OF CERRO PRIETO PROPERTY

On August 30, 2013 the Company sold its interest in the Cerro Prieto Property to Goldgroup Mining Inc. (“Goldgroup”) by way of the sale of the Company’s then wholly owned subsidiary, Minera Polimetalicos Mexicanos, S.A. (“Polimetalicos”) and assignment of the 2% (two percent) net smelter returns royalty payable.

In addition to cash, promissory notes (an interest bearing First Note in the amount of US$1,500,000, valued on the date of receipt as $Nil, and a non-interest bearing Second Note in the amount of US$4,125,000) and share consideration paid by Goldgroup to the Company, Goldgroup agreed to pay to the Company a production royalty (the “Production Royalty”) quarterly in arrears. The Production Royalty, payable for each month in which the monthly average of the daily PM London gold fix is in excess of US$1,250 per ounce, is calculated at the rate of 20% of the dollar value of that excess for each ounce of gold produced from the property during that month, to a maximum royalty of US$90 per ounce. This Production Royalty will be payable for each and every of the greater of:

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

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

Prior to the closing of the sale of Polimetalicos to Goldgroup, Polimetalicos’s Mexican subsidiary, Minas de Oroco Resources, S.A. de C.V. (“Minas de Oroco”), assigned to the Company all of its rights and interests in all refunds of value added taxes paid by it in the years 2008 through 2012 (the “VAT Refund”) in consideration of US$500,000 of debt owed by Minas de Oroco to the Company. On September 19, 2014, the Company agreed to assign all its rights and interests in the VAT Refund to Goldgroup (the “VAT Assignment Agreement”) in consideration of US$240,000, paid in common shares of Goldgroup, and 50% of all future VAT refunds obtained in excess of US$400,000. The Company assigned a fair value of $Nil to the VAT refund as collectability was uncertain.

On August 28, 2015, Goldgroup exercised its option to settle the Second Note by delivering 16,500,000 common shares of Goldgroup to the Company.

On September 22, 2016, pursuant to a “2nd Payment Agreement” dated August 5, 2016, Goldgroup settled all of its then outstanding debt to the Company with a final payment of $1,063,883 (US$811,690), which amount was principally comprised of the then remaining principle and accrued interest from the First Note, with the balance being VAT refund, deadline extension fees and break fees. During the nine months ended February 28, 2017, the Company received two payments from Goldgroup totalling $1,451,173 (US$1,109,523), inclusive of the $1,063,883 (US$811,690) final payment, in settlement of the remaining balance of all Goldgroup debts to the Company.

6. AVAILABLE FOR SALE SECURITIES

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

During nine months ended February 28, 2017, the Company sold 2,706,500 (February 29, 2016 - 11,950,000) of the Goldgroup shares resulting in a gain (loss) on sale of $511,103 (February 29, 2016 - ($1,064,029)). As at February 28, 2017, the remaining shares had a fair value of $790,079 (May 31, 2016 - $1,723,815), resulting in a loss on fair value of available for sale securities of $765,446 (February 29, 2016 - $Nil). During the nine months ended February 28, 2017, the Company recorded a permanent impairment reversal of $Nil (February 29, 2016 - $1,035,991). As at February 28, 2017, held 6,870,250 shares of Goldgroup.

(Expressed in Canadian Dollars)

6. AVAILABLE FOR SALE SECURITIES (cont'd…)

During nine months ended February 28, 2017, the Company purchased an additional 112,500 common shares, at a cost of $146,523, for a total investment of 412,500 common shares, valued at $451,073, in a private British Columbia company ("BC Co"), a company related by virtue of a member of the Company's management and a private company owned by the spouse of a director collectively having significant influence in BC Co, which has an interest in mineral concessions in Mexico.

During nine months ended February 28, 2017, the Company purchased 375,000 common shares, at a cost of $75,000, in a private British Columbia company ("BC Co2"), which provides satellite based, geological services to the mining and other industries, which are able to identify, model and monitor subsurface geological structures.

7. EQUIPMENT

	Automotive equipment	Computer equipment	Leaseholds	Office furniture	Total
Cost:					
At May 31, 2015	$ 15,948	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Additions for the year	-	-	-	-	-
At May 31, 2016	15,948	23,110	10,017	3,070	52,145
Additions for the period	-	-	-	-	-
At February 28, 2017	$ 15,948	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Depreciation:					
At May 31, 2015	$ 9,770	$ 20,731	$ 7,654	$ 2,444	$ 40,599
Charge for the year	618	713	473	125	1,929
At May 31, 2016	10,388	21,444	8,127	2,569	42,528
Charge for the period	417	375	284	75	1,151
At February 28, 2017	$ 10,805	$ 21,819	$ 8,411	$ 2,644	$ 43,679
Net book value:					
At May 31, 2016	$ 5,560	$ 1,666	$ 1,890	$ 501	$ 9,617
At February 28, 2017	$ 5,143	$ 1,291	$ 1,606	$ 426	$ 8,466

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES

Authorized

An unlimited number of common shares without par value.

Issued share capital

During the nine months ended February 28, 2017 and 2016, there was no share capital activity.

Warrants

During the nine months ended February 28, 2017 and 2016, there were no warrants outstanding.

Stock options

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

As at February 28, 2017, there were no options outstanding.

Stock option transactions are summarized as follows:

	Number of Stock Options		Weighted Average Exercise Price
Balance, outstanding and exercisable, as at May 31, 2016	400,000	$	0.30
Expired	(400,000)		(0.30)
Balance, outstanding and exercisable, as at February 28, 2017	-	$	-

Reserves

At February 28, 2017, the Company had a Stock Option and Warrant Reserve balance of $2,110,254 (February 29, 2016 - $2,110,254) consisting of warrant valuations on warrants attached to various private placements and share-based payments associated with stock option grants to employees, consultants, directors and officers.

At February 28, 2017, the Company had an Other Comprehensive Income balance of $362,882 (February 29, 2016 - $Nil).

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

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

	For the Nine Months Ended February 28, 2017	For the Nine Months Ended February 29, 2016
Management and director fees	$ 182,500	$ 175,974
Consulting	16,000	7,833
Professional fees	76,500	76,500
Total	$ 275,000	$ 260,307

As at February 28, 2017 included in accounts payable and accrued liabilities was $118,865 (May 31, 2016 - $129,622) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

10. SEGMENTED INFORMATION

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

As at February 28, 2017

	Canada	Mexico	Total
Equipment	$ 3,323	$ 5,143	$ 8,466
Exploration and evaluation assets	-	283,055	283,055
Other assets	3,151,404	11,273	3,162,677
Total assets	$ 3,154,727	$ 299,471	$ 3,454,198

As at May 31, 2016

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

(Expressed in Canadian Dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

	For the Nine Months Ended February 28, 2017	For the Nine Months Ended February 29, 2016
Interest paid	$ -	$ -
Taxes paid	$ -	$ -
Non-cash transactions not included in investing or financing activities		
Exploration and evaluation assets included in accounts payable	$ 6,017	$ 3,011
Allocation of amount from receivables to First Note	$ 386,627	$ -
Available for sale securities received from the VAT Assignment Agreement	$ -	$ 77,402
Available for sale securities received for partial repayment of First Note	$ -	$ 204,059
Available for sale securities received for settlement of Second Note	$ -	$ 1,072,500

12. FINANCIAL INSTRUMENT RISK AND CAPITAL

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity. There has been no significant change in the Company's objectives, policies and processes for managing its capital during the nine months ended February 28, 2017.

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

Fair value hierarchy

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

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

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

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

Fair value hierarchy (cont'd…)

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

Management of Industry Risk

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

Management of Financial Risk

The carrying value of cash, receivables, first note receivable, and trade payables and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash is measured at a level 1 of the fair value hierarchy. The Goldgroup shares recorded in available for sale securities are measured at a level 1 of the fair value hierarchy and the BC Co and BC Co2 shares recorded in available for sale securities are measured using level 3 of the fair value hierarchy based on cost at time of acquisition. The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

Credit Risk

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

Liquidity Risk

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

Foreign Exchange Risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations, which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in derivatives to mitigate these risks. The effect of a 1% change in the foreign exchange rate on the cash held in foreign currencies at February 28, 2017 is nominal.

Interest Rate Risk

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