

Oroco Resource Corp.

Consolidated Financial Statements

August 31, 2008

Oroco Resource Corp.
(the "Company")

Consolidated Financial Statements
For the three months ended August 31, 2008

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the accompanying unaudited financial statements.

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the management of the Company.

"Stephen Leahy"

Chief Executive Officer

"Casey Forward"

Chief Financial Officer

Oroco Resource Corp.
Consolidated Balance Sheets

	August 31, 2008	May 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,231,197	\$ 1,984,926
Refundable GST and other receivable	69,075	33,061
Prepaid expenses	26,253	24,551
	<u>1,326,525</u>	<u>2,042,538</u>
Interest in resource properties (note 3)	4,478,153	3,918,210
Equipment (note 4)	30,107	23,832
	<u>\$ 5,834,785</u>	<u>\$ 5,984,580</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 265,999	\$ 248,966
	<u>265,999</u>	<u>248,966</u>
SHAREHOLDERS' EQUITY		
Share Capital (note 5)		
Authorized		
100,000,000 common shares, no par value		
Issued and outstanding	6,389,531	6,389,531
Contributed surplus	152,912	152,912
Deficit	(973,657)	(806,829)
	<u>5,568,786</u>	<u>5,735,614</u>
	<u>\$ 5,834,785</u>	<u>\$ 5,984,580</u>

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

Oroco Resource Corp.
Consolidated Statements of Operations and Deficit

	For the three months ended August 31, 2008	For the three months ended August 31, 2007
Expenses		
Amortization	\$ 1,687	\$ 391
Bank charges and interest	179	283
Consulting fees	18,908	14,812
Management fees	10,500	3,500
Office expense	21,512	6,734
Professional fees	38,113	81,522
Rent	9,741	6,472
Shareholder communications	21,863	-
Transfer agent and filing	4,691	-
Travel	11,260	4,045
Total expenses	(138,454)	(117,759)
Other items		
Interest income	6,605	-
Foreign exchange gain (loss)	(34,979)	18,769
	(28,374)	18,769
Net loss	(166,828)	(98,990)
Deficit, beginning	(806,829)	(203,045)
Deficit, ending	\$ (973,657)	\$ (302,035)
Loss per share, basic and diluted	(\$0.01)	(\$0.01)
Weighted average shares outstanding	20,428,196	16,689,812

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

Oroco Resource Corp.
Consolidated Statements of Cash Flows

	For the three months ended August 31, 2008	For the three months ended August 31, 2007
Operating Activities		
Net loss	\$ (166,828)	\$ (98,990)
Items not involving cash		
Amortization	1,687	391
	(165,141)	(98,599)
Changes in non-cash working capital		
Refundable GST and other receivable	(36,014)	(1,127)
Prepaid expenses	(1,702)	(16,007)
Accounts payable and accrued liabilities	17,033	(143,718)
Net cash used in operating activities	(185,824)	(259,451)
Financing Activities		
Shares issued for cash, net of share issuance costs	-	581,000
Loans payable	-	(67,000)
Net cash provided from financing activities	-	514,000
Investing Activities		
Purchase of equipment	(7,962)	-
Acquisition and exploration of resource properties	(559,943)	(6,562)
Net cash used in investing activities	(567,905)	(6,562)
Change in cash	(753,729)	247,987
Cash, beginning	1,984,926	10,074
Cash, ending	\$ 1,231,197	\$ 258,061

Supplemental Cash Flow Information - Note 2

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

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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 evaluating mineral resource properties in Mexico. The Company is in the exploration stage and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, 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.

These interim financial statements should be read in conjunction with the audited May 31, 2008 annual financial statements. These interim financial statements follow the same accounting policies and methods of their application as in the May 31, 2008 annual financial statements. These interim financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements in that they do not include all note disclosures.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and expenses for the periods reported. Actual results could differ from those estimates.

Consolidation

These consolidated financial statements include the accounts of the Company and the following subsidiary. All intercompany transactions and balances have been eliminated.

	Country of Incorporation	Percentage ownership August 31, 2008	Percentage ownership May 31, 2008
Minera Xochipala S.A. de C.V. ("Minera Xochipala") (note 3b)	Mexico	100.0%	100.0%
Minas de Oroco S.A. de C.V. (note 3a)	Mexico	100.0%	100.0%
Minera Polimetalicos Mexicanos S.A. (note 3a)	Panama	100.0%	100.0%

2. SUPPLEMENTAL CASH FLOW INFORMATION

	For the three months ended August 31, 2008	For the three months ended August 31, 2007
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -
Non-cash transactions not included in investment or financing activities		
Acquisition of mineral properties by the issuance of shares	\$ -	\$ -

3. INTEREST IN RESOURCE PROPERTIES

For the three months ended August 31, 2008

	Cerro Prieto	Xochipala	Salvador	Cerro Prieto North	Total
Balance at June 1, 2008	\$ 3,410,650	\$ 286,524	\$ 113,010	\$ 108,026	\$ 3,918,210
Deferred exploration expenditures					
Assessment and taxes	18,854	-	-	-	18,854
Geologist	84,314	-	-	250	84,564
Drilling	456,525	-	-	-	456,525
	559,693	-	-	250	559,943
Balance at August 31, 2008	\$ 3,970,343	\$ 286,524	\$ 113,010	\$ 108,276	\$ 4,478,153

For the year ended May 31, 2008

	Cerro Prieto	Xochipala	Salvador	Cerro Prieto North	Total
Acquisition costs					
Cash consideration	\$ 932,089	\$ 270,330	\$ 113,010	\$ 96,041	1,411,470
Obligation payable	1,824,287	-	-	-	1,824,287
Shares	17,500	14,000	-	-	31,500
	2,773,876	284,330	113,010	96,041	3,267,257
Deferred exploration expenditures					
Assessment and taxes	11,339	2,194	-	2,423	15,956
Consulting	81,748	-	-	9,562	91,310
Drilling	449,317	-	-	-	449,317
Sampling	84,284	-	-	-	84,284
Survey	2,908	-	-	-	2,908
Transportation	1,976	-	-	-	1,976
Travel and accommodation	5,202	-	-	-	5,202
	636,774	2,194	-	11,985	650,953
Balance at May 31, 2008	\$ 3,410,650	\$ 286,524	\$ 113,010	\$ 108,026	\$ 3,918,210

(a) Cerro Prieto Property, Sonora State, Mexico

On August 26, 2006, as amended on December 15, 2006 and May 18, 2007, the Company entered into an assignment agreement (the "Assignment Agreements") whereby Salvador Rivero Cortina ("Rivero") and ATM Mining Corp. ("ATM") assigned their rights and interests in the Cerro Prieto and the Xochipala properties to the Company. Under the assignment agreement, the Company paid \$69,000 to ATM for costs associated with the Xochipala property, accepted share subscriptions from ATM to purchase 5,350,000 common shares of the Company, and assumed ATM's obligation to issue 3,150,000 common shares to Rivero.

The Cerro Prieto Property is located 150 kilometres northeast of the city of Hermosillo, and consists of two concessions covering a total area of 215 hectares. Of these two concessions, the San Francisco concession, consisting of 10 hectares, covers the underground workings of the Cerro Prieto Mine. The second concession, San Felix, consisting of 205 hectares, surrounds the San Francisco concession to the north, south, east and west.

The title to the Cerro Prieto Property is held by Minas de Oroco Resources S.A. de C.A. ("Minas de Oroco"), a Mexican company, which in turn is owned by B17 ("Polimetalicos"), a Panamanian company, which holds 98% of the issued and outstanding shares of Minas de Oroco. Minas de Oroco was formed so the Company could operate in Mexico. Polimetalicos acts as an international holding company. In connection with the Assignment Agreements, the Company entered into an agreement with the shareholders of Polimetalicos to purchase their shares in consideration for \$2,500,000 USD (paid).

The Cerro Prieto Property is subject to a 2% net smelter royalty in favor of the Cerro Prieto Vendors. If the Company does not commence production on the Cerro Prieto Property by April 1, 2009, the Company will thereafter pay the Cerro Prieto Vendors a minimum royalty payment in the amount of US\$30,000 per quarter until payments commence pursuant to the net smelter royalty.

3. INTEREST IN RESOURCE PROPERTIES continued

(b) Xochipala Property, Guerrero State, Mexico

The Company, through its subsidiary, Minera Xochipala S.A. de C.V. ("Minera Xochipala"), holds a 100% interest in two contiguous mining concessions, Celia Generosa and Celia Gene, referred to as the Xochipala Property. Minera Xochipala was formed so the Company could operate in Mexico. They have a combined area of 193 hectares. The property is located in the municipality of Zumpango del Rio in the state of Guerrero, Mexico, 30 kilometres northwest of Chilpancingo, the regional capital and within the southeast extreme of the original Morelos National Mining Reserve.

In connection with the Assignment Agreements the Company paid approximately \$18,000 (186,000 pesos) to the Xochipala and various other vendors, assumed liability for all arrears and penalties for the outstanding mining fees with regard to the Xochipala Property in the aggregate amount of 670,612 pesos (approximately \$67,000), assumed a lien settlement of 500,000 pesos (approximately \$50,000) and legal fees and other fees of 650,000 pesos (approximately \$65,000). In addition the Company paid ATM \$69,000 as mentioned above.

(c) Salvador Property, Guerrero State, Mexico

The Salvador Property is a 100 hectare mining concession 100% owned by Minera Xochipala. The concession is approximately 30 km. west of the regional centre of Chilpancingo, Guerrero. The concession was acquired for the sum of \$108,201 (1,021,877 pesos) paid in cash.

(d) Cerro Prieto North Property

The Cerro Prieto North property is a 2,507 hectare property located in the Cucurpe Municipality of Sonora State, Mexico. It was staked by the Company for total cost of \$96,041.

4. EQUIPMENT

	<u>August 31, 2008</u>			<u>May 31, 2008</u>	
	Cost	Accumulated amortization	Net book value		Net book value
Automotive equipment	\$ 19,018	\$ 3,433	\$ 15,585	\$	15,027
Equipment	17,281	2,759	14,522	\$	8,805
Total	\$ 36,299	\$ 6,192	\$ 30,107	\$	23,832

5. SHARE CAPITAL

(a) Authorized

100,000,000 common shares of no par value

(b) Issued and outstanding	Shares	Price	Amount	Stock-based compensation
Balance at May 31, 2007	16,500,000		\$ 1,468,750	\$ -
Private placement	2,890,000	0.35	1,011,500	-
Initial public offering	8,203,520	0.55	3,909,281	-
Stock-based compensation	-	-	-	152,912
Balance at May 31, 2008	27,593,520		6,389,531	152,912
Shares issued	-	-	-	-
Balance at August 31, 2008	27,593,520		\$ 6,389,531	\$ 152,912

The Company completed an initial public offering of 8,000,000 units at \$0.55 per unit on March 12, 2008, giving the Company \$4,005,367 to the treasury after costs. Each unit is comprised of one common share and one half of one transferable common share purchase warrant. Each whole Warrant will entitle the holder thereof to acquire one additional common share of the Company at a price of \$0.90 per share to September 19, 2009. The agent's commission was 8% or \$352,000 of which \$246,730 was paid in cash and the remainder of \$105,270 was settled with 191,400 units at \$0.55 per unit. In addition a corporate finance fee of \$25,000 of which \$18,334 was paid in cash, and the remainder of \$6,666 was settled with 12,120 units at \$0.55 per unit. Each agent unit is comprised of one common share and one half share purchase warrant with the same perms as the other 4,000,000 warrants. The agent also received options to purchase 800,000 shares at \$0.55 to September 19, 2009. Issue costs contain legal and accounting costs of \$96,086. The Company's shares commenced trading on March 18, 2008.

The fair value of warrants attached to unit placements was estimated to be \$90,909 and has been included in share capital. The fair value of the agent's options was estimated to be \$71,256, and has been included in contributed surplus and share capital as a cost of financing. These amounts were determined using the Black Scholes Option Pricing Model assuming no dividends are to be paid, with a weighted average expected life of 18 months, a weighted average volatility of the Company's share price of 40% and an average annual risk free interest rate of 3.8%.

In November 2007 a private placement was completed consisting of 2,890,000 shares at \$0.35 per share for a total of \$1,011,500.

5. SHARE CAPITAL continued

(c) Stock options

The Company has granted employees, consultants, directors and officers share purchase options. These options were granted pursuant to the Company's stock option plan with an exercise price equal to their market value on the date of the grant less allowable discounts. Under the plan 33% of the options vest at the grant date with additional amounts of 33% vesting every six months thereafter. In the case of the initial stock options, vesting started on the day the Company's stock was listed, with subsequent vesting from that point in time.

	Number of options	Weighted Average Exercise Price
Balance outstanding, May 31, 2008	2,650,000	\$ 0.55
Options granted	-	-
Balance outstanding, August 31, 2008	2,650,000	\$ 0.55

Using the fair value method for stock-based compensation, stock-based compensation expense of \$243,889 will be recorded over the vesting period. This amount was determined using the Black Scholes Option Pricing Model assuming no dividends are to be paid, with a weighted average expected stock option life of 5 years, a weighted average volatility of the Company's share price of 40% and an average annual risk free interest rate of 3.84%. These options have partially vested and the Company recorded a stock-based compensation expense of \$81,656 during the year ended May 31, 2008. The remaining balance of \$162,233 will be recorded when the options vest in the 2009 fiscal year. No vesting occurred by August 31, 2008.

The Company also granted 800,000 agent's options as described in (b) above.

The following table summarizes information about fully vested stock options, outstanding at August 31, 2008:

Range of exercise prices	Number outstanding at August 31, 2008	Weighted average remaining contractual life (years)
\$ 0.55	3,450,000	3.7
\$ 0.55	3,450,000	3.7

At August 31, 2008 fully vested stock options totaled 1,683,333.

(d) Warrants

(i) The changes in warrants were as follows:

	August 31, 2008	Weighted average exercise price \$	May 31, 2008	Weighted average exercise price
Balance of warrants at beginning of year	4,101,760	\$ 0.90	-	\$ -
Issued	-	-	4,101,760	0.90
Exercised	-	-	-	-
Balance of warrants end of year	4,101,760	\$ 0.90	4,101,760	\$ 0.90

(ii) A summary of warrants outstanding is:

	Number of warrants	Exercise price	Expiry date
	4,101,760	\$ 0.90	19-Sep-09
	4,101,760	\$ 0.90	

6. RELATED PARTY TRANSACTIONS

The following expenses were incurred with directors and officers of the Company

	For the three months ended August 31, 2008	For the three months ended August 31, 2007
Management fees	\$ 10,500	\$ 3,500
Deferred resource expenditures	15,300	-
Professional fees	24,725	16,500
Total	\$ 50,525	\$ 20,000

As at August 31, 2008 accounts payable and accrued liabilities included \$10,395 owing to officers and directors for management, legal and accounting fees.

These charges were measured by the exchange amount, which is the amount agreed upon by the related parties.