Oroco Resource Corp.
Management's Discussion & Analysis of financial condition & the results of operations for the three months ended August 31, 2009

This "Management's Discussion and Analysis" has been prepared as of October 30 2009 and should be read in conjunction with the unaudited consolidated financial statements of the Company for the three months ended August 31, 2009 and the audited consolidated financial statements and related notes thereto for the year ended May 31, 2009 (the "Financial Statements"), which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in the financial statements and in this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated.

Forward Looking Statements

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Oroco Resource Corp. ("Oroco" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate," "believe," "estimate," "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward looking statements. This MD&A contains forward looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

The Company

The Company was incorporated under the British Columbia Business Corporations Act on July 7, 2006 under the name Oroco Resource Corp. The Company's head office is located at Suite 789, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2. The Company and its subsidiaries are engaged in the acquisition, exploration and development of mineral properties in Mexico with a primary focus on the accelerated exploration and development of its advanced stage polymetalic Cerro Prieto property in Sonora State, Mexico. The Company also has two early exploration stage properties in Guerrero State, Mexico.

The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol "OCO", the Frankfurt Stock Exchange Open Market under the trading symbol "OR6" and the US OTC exchange under the trading symbol "ORRCF.PK". The Company's website address is: "www.orocoresourcecorp.com".

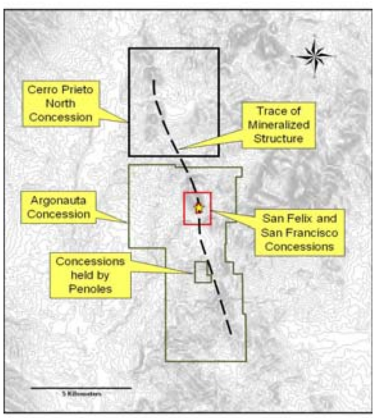
The Company has three wholly owned subsidiaries: Minera Polimetalicos Mexicanos, S.A. ("Polimetalicos"); Minas de Oroco Resources, S.A. de C.V. ("Minas de Oroco") and Minera Xochipala S.A. de C.A. ("Minera Xochipala"). Minas de Oroco and Minera Xochipala are used to hold the Company's Mexican mining concessions and to conduct business in Mexico. Polimetalicos, 100% owned directly by the Company, is a holding company which holds 98% (49 of 50 shares) of Minas de Oroco (the other 2%, being 1 share, is held by Minera Xochipala). Minera Xochipala is 98% (49 of 50 shares) directly owned by the Company, with 2% (1 share of 50) held by Minas de Oroco.

The Company's properties are in the exploration stage and the Company 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 exploration and development of the mineral properties and upon future profitable production or proceeds from the disposition thereof.

Mineral Properties

Cerro Prieto Property, Sonora State, Mexico

The Cerro Prieto Property (see figure below), located in the Cucurpe Mining District, Sonora, Mexico, is comprised of the San Felix (205 ha), San Francisco (10 ha) and Cerro Prieto "North" (2,508 ha) mining concessions and that 4,120 ha portion of Yamana Gold Inc.'s ("Yamana") Argonauta 5 Fraccion 1 mining concession (the "Argonauta Property") to which the Company holds an option to acquire a 100% interest in, subject to a 2% net smelter returns royalty.



The heart of the Cerro Prieto Property and the site of all drilling conducted by the Company in its 2008 exploration program, is the San Francisco and San Felix mineral concessions (the "SF Concessions"). The Company acquired an assignment of ATM Mining Corp.'s ("ATM") and Salvador Rivero's ("Rivero") rights and interests in the SF Concessions and the Celia Gene and Celia Generosa concessions (the "Xochipala Property") pursuant to an assignment agreement (the "Assignment Agreement") dated August 26, 2006, as amended on December 15, 2006 and May 18, 2007. 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 title to the SF Concessions, the Cerro Prieto "North" concession and the right to the Argonauta Property are held by Minas de Oroco. Both Polimetalicos and Minas de Oroco were formed by the vendors of the SF Concessions (the "Cerro Prieto Vendors") to facilitate the Company's acquisition of the SF Concessions which were the sole asset of Minas de Oroco at that time. Polimetalicos acts as a holding company. In connection with the Assignment Agreement, the Company entered into an agreement with the Cerro Prieto Vendors to purchase 100% of the outstanding shares of Polimetalicos in consideration for $2,500,000 USD (paid).

The SF Concessions are subject to a 2% net smelter royalty in favor of the Cerro Prieto Vendors, with a minimum royalty payment in the amount of US$30,000 per quarter payable from April 1, 2009 until net smelter royalty payments commence from production.

The Cerro Prieto "North" concession was staked on behalf of the Company by German Gonzalez Canas in 2007. Minas de Oroco acquired registered title to the concession pursuant to an agreement with Mr. Canas dated March 9, 2009.

The Company acquired an option to the Argonauta Property pursuant to an agreement with Yamana dated May 5, 2009. Under this agreement, the Company agreed to pay Yamana 500,000 common shares at the time of granting the option (paid), to conduct 750 metres of drilling before December 31, 2009, a further 750 metres of drilling by December 31, 2010 and to reimburse Yamana for any related property taxes paid by Yamana during the term of the option. After completion of the drilling, the Company may exercise the option to acquire a 100% interest in the Argonauta Property, subject to a 2% net smelter royalty, by issuing a further 500,000 common shares to Yamana.

The Cerro Prieto Property is 52 road kilometers from the regional centre of Magdalena de Kino (population 40,000) and 150 kilometers northeast of the city of Hermosillo. Major electricity transmission lines are less than five kilometers from the project and water is also available within five kilometers. A major highway connects Magdalena de Kino with Hermosillo to the south and the state of Arizona, USA 80 kilometers to the north.

The San Francisco concession contains the past producing Cerro Prieto Mine and polymetallic (Pb-Zn-Au-Ag) deposit. Mineralization is contained within a 25 to 65 meter thick shear zone which cuts all units from Jurassic to Lower Tertiary in age and which extends from surface to below the lowest level of the historic workings (a depth of approximately 335 meters), is open at depth and to the north and south. Within this shear zone are series of veins, secondary veins, stringers zones, brecciation and silicification, which, together, produce a continuous mineralized zone 25 meters to 65 meters thick. This principal structure is a regional structure that can be traced for approximately 10 kilometers north and south of the Cerro Prieto Mine with approximately 17.5 kilometers of strike length potential contained on the Cerro Prieto Property.

Cerro Prieto Property Phase One Exploration Program

SF Concessions

In April 2008, the Company commenced a 6,000 meter diamond drill program on the SF Concessions to confirm a historical resource calculated by Morgain Minerals in 1998 and to expand on the resource to depth and along strike. The program was designed to intersect the mineralized structure at 100 meter intervals along strike and down dip. The Phase One program (24 holes, 5,975.1 meters) tested the mineralized structure on the SF Concessions (the "Cerro Prieto Mineralized Zone") over a 900 meter strike length to a maximum depth of 400 meters below surface. The mineralized structure was intersected in all but two holes, which were abandoned prior to intersecting the zone due to bad drilling conditions.

Results for all holes have been received and reported in press releases. Highlights include thick intersections (up to 65.4 meters true thickness) of combined gold, silver, lead and zinc values that may be amenable to open pit extraction as well as thinner intersections of high grade mineralization. The following table summarizes the drill results through the mineralized zone.

Hole	From	To	Length	True Thickness	Au	Ag	Cu	Pb	Zn
	(m)	(m)	(m)	(m)	g/t	g/t	%	%	%
CP001	54.9	152.0	97.1	53.5	0.64	4.9		0.13	0.38
incl	71.5	74.0	2.5	1.4	2.01	94.1		0.50	0.92
and	108.0	109.9	1.9	1.1	1.76	2.5		0.14	0.52
and	137.0	152.0	15.0	8.3	2.45	3.2		0.24	0.56
CP002	169.2	256.2	87.0	47.0	0.11	50.8		0.46	1.01
incl	220.6	231.8	11.2	7.0	0.21	361.8		2.40	4.76
CP003	145.0	202.5	57.5	33.8	0.99	14.9		0.23	0.66

Hole	From	To	Length	True Thickness	Au	Ag	Cu	Pb	Zn
	(m)	(m)	(m)	(m)	g/t	g/t	%	%	%
CP003 cont'd									
incl	179.5	187.0	7.5	4.4	0.31	70.7		0.67	1.42
and	194.5	202.5	8.0	4.7	6.05	7.8		0.36	1.12
and	197.0	202.5	5.5	3.2	8.34	6.2		0.35	1.04
CP004	286.5	329.5	43.0	24.5	0.31	8.1		0.72	2.12
incl	291.0	306.5	15.5	8.8	0.59	18.7		1.52	3.51
and	292.9	295.9	3.0	1.7	0.36	64.8		6.61	5.39
CP005	7.0	88.5	81.5	39.5	1.16	12.0		0.06	0.18
incl	58.5	64.1	5.6	2.7	11.94	10.2		0.10	0.29
and	74.1	76.3	2.2	1.1		OPEN	STOPE		
CP006	157.0	172.0	15.0	11.3	0.50	2.9		0.21	1.09
	172.0	179.0	7.0	5.5		OPEN	STOPE		
CP007	84.5	114.3	29.8	22.5	1.14	52.9		0.23	0.51
incl	89.0	99.0	10.0	7.6	1.00	139.9		0.50	1.06
and	91.5	97.6	6.1	4.6	1.10	212.1		0.58	1.24
and	101.8	103.9	2.1	1.6	3.23	33.7		0.20	0.37
and	110.8	114.3	3.5	2.6	2.72	7.0		0.09	0.20
	114.3	122.0	7.7	5.8		OPEN	STOPE		
CP008	210.7	259.0	48.3	25.0	0.54	20.4		0.45	0.99
incl	236.2	256.0	19.8	10.2	0.90	27.6		0.67	1.35
and	233.5	245.0	11.5	6.0	0.60	63.5		0.59	1.12
CP009	255.0	302.5	47.5	32.0	0.32	14.9		0.91	2.59
incl	280.5	289.0	8.5	5.7	0.75	59.7		3.30	5.45
and	283.5	286.2	2.7	1.8	0.59	83.1		2.60	10.35
CP010	289.8	367.0	77.2	42.0	0.28	4.9		0.36	1.07
incl	331.5	343.0	11.5	6.3	1.21	11.5		0.98	2.29
and	330.0	337.5	7.5	4.1	0.96	9.1		1.27	2.22
CP011	363.0	424.0	61.0	30.0	0.15	13.3	0.14	0.74	2.02
incl	391.0	394.0	3.0	1.2	0.39	4.2	0.07	0.57	2.90
and	402.5	411.0	8.5	4.2	0.19	79.6	0.78	3.71	6.13
and	402.5	404.0	1.5	0.7	0.40	79.3	2.07	8.06	9.35
and	401.3	404.0	2.7	1.3	0.41	55.1	1.33	5.06	6.27
CP012	40.0	59.0	19.0	12.0	0.46	2.7		0.07	0.21
incl	57.1	59.0	1.9	1.2	4.16	6.2		0.08	0.27

Hole	From	To	Length	True Thickness	Au	Ag	Cu	Pb	Zn
	(m)	(m)	(m)	(m)	g/t	g/t	%	%	%
CP013	51.5	125.1	73.6	34.0	0.40	4.8		0.35	1.23
incl	69.5	77.0	7.5	3.5	0.14	4.9		0.33	2.89
and	102.0	125.1	23.1	10.7	0.95	9.7		0.62	1.58
CP014	21.4	85.4	64.0	31.0	1.01	13.7		0.16	0.52
incl	73.2	85.4	12.2	5.9	4.53	22.3		0.23	0.90
and	74.3	76.3	2.0	1.0	18.50	85.7		0.31	1.65
CP015	200.0	222.0	22.0	13.5	0.36	15.9	0.05	0.87	2.27
incl	206.5	210.5	4.0	2.5	0.72	55.2	0.17	2.94	7.94
CP016	188.0	246.0	58.0	37.8	0.21	4.1		0.49	1.54
incl	222.0	229.5	7.5	4.9	0.37	11.3	0.01	1.11	3.33
CP017	135.5	230.0	94.5	54.0	0.13	2.2	0.02	0.26	0.90
incl	159.5	196.0	36.5	20.9	0.11	2.3	0.03	0.28	1.05
and	192.0	196.0	4.0	2.3	0.17	1.0	0.20	0.71	1.35
CP018	197.5	374.0	176.5	65.4	0.12	4.1		0.30	0.93
incl	197.5	253.0	55.5	20.4	0.14	8.4		0.31	0.96
and	288.0	374.0	86.0	31.9	0.12	3.0	0.02	0.37	1.24
and	331.0	361.0	30.0	11.1	0.12	4.6	0.01	0.32	1.01
CP019	331.0	417.0	86.0	42.0	0.56	2.1	0.02	0.46	0.90
and	356.0	372.0	16.0	7.8	1.01	4.5	0.05	1.37	2.17
CP020	63.0	79.0	16.0	10.7	0.03	0.9		0.25	0.46
	101.0	138.2	37.2	25.0	0.14	3.7		0.44	0.31
CP021	163.0	258.3	95.3	64.0	0.28	6.6		0.20	0.67
incl	183.0	199.0	16.0	10.7	0.84	33.0		0.47	1.56
and	183.0	189.0	6.0	4.0	1.79	83.5		0.32	1.29
CP022	HOLE	LOST	BEFORE	ZONE					
CP023	103.0	116.0	13.0	8.7	2.80	51.5		0.24	0.50
incl	104.1	108.5	4.4	3.0	7.72	17.6		0.35	0.66
and	110.0	116.0	6.0	4.0	0.16	93.2		0.19	0.45
CP024	HOLE	LOST	BEFORE	ZONE					

Thirteen of the drill holes intersected the mineralized zone outside of the area included in Morgain Mineral's historical resource calculation and the mineralized zone is still open along strike in both directions and to depth.

The Company also instituted and completed a trenching program at 50 meter intervals along the strike of the Cerro Prieto Mineralized Zone. It is significant that, although all trenches did not fully cross the zone due to open stopes or difficult topographic conditions, each section produced assays of potential economic significance and outlined the mineralized zone over a strike length of 1,250 meters. Significant assays are presented in the following table.

Trench #	Length	Au	Ag	Pb	Zn	Remarks
	(m)	(g/T)	(g/T)	(%)	(%)	
TR00	8.1	0.52	11.7	0.31	0.89	Open both directions
Incl	1.6	1.43	13.4	0.55	2.09	
TR050N	6.1	2.05	9.0	0.72	1.21	Open 1 direction
Incl	1.5	5.81	9.6	0.66	1.41	
TR100N	12.9	0.46	21.4	0.30	0.76	Open both directions
	9.8	4.08	36.2	0.34	1.01	
Incl	5.1	7.40	63.5	0.54	1.57	Open 1 direction
TR150N	5.2	4.79	21.5	0.16	0.33	Open both directions
TR200N	9.1	0.11	3.5	0.13	0.40	Open 1 direction
Incl	2.0	0.39	8.1	.37	1.02	
	14.0					Not sampled
	7.5	0.28	4.1	0.19	0.52	Open 1 direction
Incl	0.65	1.31	4.9	0.89	2.47	
TR250N	3.2	0.80	3.9	0.05	0.11	Open 1 direction
TR300N	2.9	1.05	27.2	0.09	0.13	Open 1 direction
TR350N	4.1	1.10	74.7	0.13	0.20	Open 1 direction
TR400N	3.4	8.35	81.8	0.18	0.24	Open both directions
TR450N	3.3	5.89	27.1	0.10	0.24	Open 1 direction
	3.0					Not sampled
	3.2	5.35	110.2	0.14	0.15	Open both directions
TR500N	2.4	1.25	9.3	0.16	0.37	Open 1 direction
TR550N	2.3	0.07	104.6	0.15	0.24	Open both directions
	12.0					Not sampled

Trench #	Length	Au	Ag	Pb	Zn	Remarks
	(m)	(g/T)	(g/T)	(%)	(%)	
TR550N cont'd	21.5	1.90	82.9	0.16	0.19	Open both directions
Incl	6.9	5.06	145.2	0.22	0.18	
TR600N	4.6	0.81	67.1	0.16	0.17	Open both directions
Incl	2.8	1.12	108.4	0.23	0.21	
	9.0					Open stope
	8.0	2.11	113.0	0.33	0.39	Open both directions
Incl	2.1	6.42	82.9	0.22	0.68	
TR650N	3.3	1.84	16.0	0.20	0.34	Open both directions
	4.0					Not sampled
	0.7	5.76	4.5	0.09	0.19	Open 1 direction
TR700N	5.4	3.04	34.4	0.11	0.33	
Incl	2.6	5.97	51.8	0.18	0.46	
TR750N	6.0	0.20	57.0	0.04	0.05	
Incl	1.5	0.61	118.0	0.05	0.07	
TR800N	9.0	0.52	52.6	0.03	0.05	
Incl	3.0	1.11	126.4	0.04	0.09	
TR850N	16.5	0.65	55.3	0.08	0.14	Cross trench with below
	16.5	0.39	110.2	0.22	0.32	
TR900N	2.1	0.16	11.3	1.18	2.39	Open both directions
	2.05	0.61	49.4	0.16	0.23	Open 1 direction
	4.2	0.70	67.0	0.08	0.07	
TR950N	11.2	0.18	33.5	0.07	0.13	Open both directions
TR1000N	6.7	0.40	32.6	0.15	0.13	Open both directions
Incl	3.3	0.63	55.8	0.16	0.04	
	13.0					Open stope
	8.7	1.36	57.0	0.19	0.16	
Incl	4.7	2.42	36.3	0.24	0.21	
And	4.0	0.12	81.3	0.13	0.10	
TR1050N	6.6	0.69	108.5	0.08	0.19	Open 1 direction
Incl	2.1	0.06	249.4	0.06	0.23	
	7.0					Not sampled
	2.4	1.32	56.8	0.28	0.33	Open both directions

Trench #	Length	Au	Ag	Pb	Zn	Remarks
	(m)	(g/T)	(g/T)	(%)	(%)	
TR1050N cont'd	5.0					Not sampled
	11.0	1.40	69.6	0.18	0.26	Open both directions
	3.0					Not sampled
	9.0	2.17	107.9	0.16	0.42	Open both directions
TR1100N	8.85	0.56	8.6	0.31	0.42	Open both directions
TR1150N	20.4	1.89	9.8	0.41	0.74	Open both directions
Incl	11.8	3.03	12.5	0.44	0.97	
TR1200N	1.0	5.35	15.0	0.48	0.58	
	1.2	2.19	4.9	0.30	0.27	Open 1 direction
TR1250N	2.4	0.39	66.9	0.90	1.29	Open both directions

The Company obtained a NI 43-101 compliant technical report dated April 14, 2009 (the "Report") from Gary Giroux, P. Eng, and Duncan Bain, P. Geo, which provided the Company with resource estimates with regard to the 600 metres of strike length, to a maximum depth of 350 metres, drilled in the SF Concessions (see the following table). As the areas of the higher grade gold and the higher grade zinc overlap, but are not totally coincident, resource estimates were calculated using first a gold cut-off and, second, using a zinc cut-off. As the zinc cut-off resource estimates contain many of the same blocks as included in the gold cut-off estimates, the zinc cut-off estimates should not be added to the gold cut-off resource estimates. In the opinion of Giroux, these resource estimates indicate a potential open pit scenario. (For tables of resources at different cut off grades please refer to the Report filed on Sedar).

Resource Estimates

A. Using a 0.50 g/t Gold Cut-off

ESTIMATED RESOURCES IN OXIDE ZONE					
Category	**Tonnes > 0.50 Au g/t Cut-Off**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**
Indicated	7,450,000	1.24	12.8	0.41	1.04
Inferred	140,000	0.99	11.2	0.73	1.98

The following table shows gross contained metal within the estimated resources from the tables above. However, potentially recoverable amounts of each metal will be reduced by metallurgical and other recovery factors.

Category	Tonnes > Cut-Off	Au (ounces)	Ag (ounces)	Zn (pounds)
Indicated	7,450,000	297,000	3,066,300	170,765,900
Inferred	140,000	4,500	50,400	6,109,500

B. **Using a 0.50% Zinc Cut-off**

ESTIMATED RESOURCES IN OXIDE ZONE					
Category	**Tonnes > 0.50% Zn Cut-Off**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**
Indicated	20,440,000	0.43	8.7	0.38	1.20
Inferred	6,290,000	0.13	14.5	0.30	1.04

The following table shows gross contained metal within the estimated resources from the tables above. However, potentially recoverable amounts of each metal will be reduced by metallurgical and other recovery factors.

Category	Tonnes > Cut-off	Au (ounces)	Ag (ounces)	Zn (pounds)
Indicated	20,440,000	282,600	5,717,400	540,597,100
Inferred	6,290,000	26,300	2,932,400	144,176,900

Metallurgy

The Company retained SGS de Mexico, S.A. de C.V. ("SGS"), under the direction of the Company's consultant, Mr. Art Winckers of Arthur H. Winckers and Associates ("Winkers") to conduct a preliminary metallurgical study on sample rejects from drill holes CP009 and CP019, two holes that are considered by the Company to be representative of the deposit.

SGS was asked to deliver results for precious metal extraction using a cyanide leach and for zinc extraction using a sulphuric acid leach. Highlights of the results of the tests include

1. Gold – using a grind size of 80% minus 200 mesh and a NaCN concentration of 3 g/l, extracted an average of 91.5% of the gold and 35% of the silver over 6 tests in a 96 hour leach.
2. Gold – using the minus 10 mesh fraction and a NaCN concentration of 0.25 g/l, extracted an average of 85% of the gold and 19.7% of the silver from a overall composite sample within less than 48 hours.
3. Zinc – using a grind size of 80% minus 200 mesh, and a sulphuric acid addition of 31 kg/t, extracted an average of 64% of the zinc and 13% of the silver in a 6 hour leach. Winckers noted that the relatively low recovery was probably a result of the short leach time.
4. Zinc – using the minus 10 mesh fraction on an overall composite sample and a sulphuric acid addition of 35.8 kg/t resulted in an 85.3% zinc extraction and a 13.0% silver extraction within less than 72 hours.
5. Lead – lead was not recoverable above 10% in any of the tests attempted.

Winckers concluded that: "The results of these very preliminary leach tests are viewed as promising considering that high zinc and gold extractions were obtained with low lixiviant additions that are not considered to be optimized."

The 85.3% zinc recovery using only 35.8 kg/t of sulphuric acid indicates the lack of problematic carbonate rock and silicate minerals in the Cerro Prieto Project. Most producing zinc oxide deposits are in carbonate hosts and many also contain zinc silicate minerals. As zinc is extracted using sulphuric acid, and carbonate rock neutralizes sulphuric acid, extraction of zinc in carbonate hosts requires either a very high amount of sulphuric acid (up to 200 kg/t) to digest both the carbonate and the zinc or a very costly alternative method to reduce the carbonate rock prior to extraction of the zinc. Zinc silicates are also difficult to extract requiring either very high rates of acid use or other, very costly, alternate techniques. The preliminary zinc extraction rates achieved indicate that zinc silicates are also not a problem in the Cerro Prieto mineralization.

Cerro Prieto "North" Concession

The northwest striking structural zone which hosts the Cerro Prieto Mineralized Zone found on the SF Concessions can be traced for approximately 4.8 kilometers across the Cerro Prieto "North" concession.

During 2008, a preliminary surface sampling program was undertaken to sample surface exposures of the proposed extension of the structure hosting the Cerro Prieto Mineralized Zone. Highlights of the sampling are presented in the following table.

Sample	Length (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
FCO 001	1.2	0.342	93.2	0.34	0.28
FCO 002	0.6	2.110	142.0	0.90	0.24
FCO 003	0.9	0.851	31.6	0.30	0.22
FCO 004	grab	0.090	31.0	0.09	0.04
FCO 005	1.2	2.180	134.0	0.44	0.43
FCO 006	1.1	1.960	139.0	0.23	0.26
FCO 007	1.3	0.268	200.0	0.15	0.24
FCO 008	0.4	0.330	143.0	0.26	0.09
FCO 009	0.85	1.240	132.0	0.22	0.08
FCO 010	Grab	0.194	87.8	0.17	0.09
FCO 011	0.4	0.146	107.0	0.24	0.20
FCO 012	0.3	0.084	33.3	0.05	0.07
FCO 013	0.3	0.162	111.0	0.07	0.10
FCO 014	0.8	0.400	47.9	0.32	0.79
FCO 015	1.0	1.700	115.0	2.26	3.17
FCO 016	0.5	0.031	1.1	0.04	0.04
FCO 017	1.0	0.616	28.9	0.71	1.40

The Company intends to drill at least two holes on the Cerro Prieto North property in 2009.

Cerro Prieto Property Phase Two Exploration Program - 2009

Argonauta Property

As part of the Phase Two exploration program, 122 samples were taken along 900 meters of outcropping vein structure on the Argonauta Property on strike with the Cerro Prieto Mineralized Zone, starting at the northern boundary of the SF Concessions. The samples returned high grade or anomalous gold values along the entire strike length tested. The samples were selectively taken across areas of veining, brecciation or fault gouge only where they are exposed – no physical trenching was attempted. All samples with the exception of two are channel samples, with the two exceptions being composite grab samples. In the collection of channel samples attempts were made to get equal volumes of each rock type in the sample.

Sampling results are grouped into five geographic areas identified on a map which can be viewed at http://www.orocoresourcecorp.com/projects-Cerro-Prieto-Project-Maps-and-Sections.html).

Thirty seven samples were taken along a 700 meter long extension of the Cerro Prieto Mineralized Zone ("Area A"). Of the 37 samples taken, 14 assayed greater than 0.5 g/t Au as shown in the following table.

Anomalous Assay Results from Area A

Sample No.	Width (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
FCO 046	1.2	0.856	0.4	0.02	0.04
FCO 059	1.2	6.440	3.0	0.51	0.82
FCO 060	1.5	4.820	2.4	0.28	0.18
FCO 772	0.4	0.659	74.5	0.06	0.03
FCO 773	1.0	0.556	6.0	0.70	0.32
FCO 774	1.0	0.717	18.4	0.44	0.42
FCO 776	0.9	3.110	16.1	0.22	1.58
FCO 777	0.7	0.744	10.6	0.25	0.10
FCO 778	1.0	4.040	4.0	0.55	1.13
FCO 779	1.0	3.880	5.1	1.21	1.57
FCO 780	1.1	1.215	6.9	0.15	0.72
FCO 785	0.5	1.955	2.2	0.25	0.72
FCO 786	0.7	3.030	2.7	0.36	0.56
FCO 787	0.8	0.665	0.5	0.10	0.25

A total of 18 samples were taken along a vein located approximately 100 meters west of the Cerro Prieto Mineralized Zone ("Area B") centered about 400 meters north of the SF Concessions – Argonauta Property boundary. Of these samples, one returned a gold assay of greater than 0.5 g/t (4.83 g/t Au, 1.8 g/t Ag, 0.30% Pb and 0.57% Zn). Several of the samples in this group have assays of greater than 0.2% Pb and 0.2% Zn.

A total of 44 samples were taken from vein exposures within a vein filled structural zone that crosscuts the N10W strike of the main Cerro Prieto Mineralized Zone, strikes N45E and is intermittently exposed over a strike length of 100 meters ('Area C"). Of these samples, 23 returned assays of greater than 0.5 g/t gold and a three others returned assays with highly anomalous lead or zinc assays. The assay results for the 26 samples are shown in the following table.

Anomalous Assay Results from Area C

Sample No.	**Width (m)**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**
FCO 069	1.2	1.100	3.2	0.21	0.36
FCO 070	1.3	1.015	1.6	0.11	0.25
FCO 071	1.2	1.640	1.7	0.06	0.14
FCO 072	0.5	0.940	1.2	0.14	0.18
FCO 073	0.6	0.867	1.4	0.15	0.14
FCO 075	0.5	1.025	0.7	0.07	0.17
FCO 077	1.0	2.830	1.1	0.09	0.22
FCO 079	0.6	0.063	10.1	1.36	0.03

Sample No.	Width (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
FCO 081	1.5	3.320	2.2	0.11	0.24
CO 082	0.5	1.885	8.7	0.44	0.23
FCO 083	1.5	7.650	7.6	0.28	0.27
FCO 084	1.5	1.030	3.9	0.13	0.16
FCO 087	1.5	3.460	5.7	0.32	0.73
FCO 088	1.5	6.340	4.4	0.26	0.46
FCO 830	1.3	0.520	0.9	0.15	0.25
FCO 836	1.1	0.552	0.7	0.17	0.31
FCO 838	1.1	0.989	2.6	0.24	0.40
FCO 839	1.2	0.511	1.2	0.26	0.32
FCO 841	1.1	0.180	16.1	1.10	0.65
FCO 845	0.5	7.160	27.4	5.40	1.39
FCO 846	1.0	0.628	3.2	0.75	2.22
FCO 847	1.0	1.485	1.7	0.22	0.41
FCO 849	0.5	3.280	17.6	0.28	0.88
FCO 850	1.1	0.887	4.8	0.33	0.23
FCO 852	0.5	0.357	67.4	1.80	0.53
FCO 853	1.3	0.689	3.5	0.52	1.31

A total of 21 samples were taken across an exposed 150 meter long N70W veined structural zone ("Area D") beginning 50 meters north of the northeast end of Area C. Of these samples, seven have assays of greater than 0.5 g/t Au and include the three highest gold assays of this program. The results are presented in the following table

Anomalous Assay Results from Area D

Sample No.	Width (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
FCO 859	1.0	14.900	24.1	0.25	0.75
FCO 860	1.2	6.480	16.1	0.65	0.79
FCO 861	1.0	10.050	10.1	0.13	0.38
FCO 862	0.8	21.900	15.5	0.13	0.30
FCO 863	1.1	6.690	6.9	0.09	0.19
FCO 868	1.0	0.902	5.6	0.07	0.10
FCO 870	1.2	1.595	30.1	0.05	0.13

Two samples have been taken to date from a weak structural zone ("Area E") striking N70E which is located approximately 250 meters east of the juncture of the Cerro Prieto Mineralized Zone and the Area C/N45E vein. Both samples are highly anomalous in gold with one assaying 2.210 g/t Au, 92.2 g/t Ag, 0.10% Pb and 0.17% Zn over 0.4 meters and the other assaying 3.520 g/t Au, 5.0 g/t Ag, 0.06% Pb and 0.16% Zn over 3.0 meters.

In summary, the sampling program confirmed the extension of the Cerro Prieto Mineralized Zone over a strike length of 900 meters in addition to the 1,250 meters outlined by Oroco's 2008 Phase One drilling and trenching program. The complex structural regime and the high associated gold assays at the north end of the zone (Areas C, D and E) are indications of extensive ground preparation with the potential for associated strong mineralization.

Drilling

Phase Two exploration at Cerro Prieto continues with two drills currently drilling an 8,000 meter drill program focusing on the expansion of the Cerro Prieto Mineralized Zone on strike to the north. Approximately 1,500 meters of strike length of the structure is being tested in this phase of exploration.

Since beginning Phase Two drilling on August 9th, 2009, the two drills have completed approximately 5,600 meters of drilling in 21 holes. A total of 12 of the holes have continued drilling north of the 2008 program at 100 meter intervals along strike and to depth to attempt to add resources in the oxide zone. Two holes have been drilled into the sulphide zone and seven drill holes have been completed on the Argonauta Property along the strike of the Cerro Prieto Mineralized Zone to the north of last years drilling.

Highlights of the Phase Two drilling to date include:

1. All holes completed to their target depth have intersected a strongly mineralized zone, therefore establishing a drilled strike length of two kilometers;
2. CP025 intersected 53.1 metres of mineralization with greater than 1% zinc and anomalous gold, silver and lead values;
3. CP026 intersected 15.6 metres of mineralization with 0.324 g/t Au and 65.2 g/t Ag including a 6.2 meter section with 0.686 g/t Au, and 156.2 g/t Ag;
4. CP027 intersected a 13.5 metre section of mineralization averaging 0.826 g/t Au and 10.2 g/t Ag including a 3.1 meter section with 2.777 g/t Au and 26.2 g/t Ag;
5. CP029 intersected 22.5 metres averaging 0.718 g/t Au including 1 meter that assays 9.070 g/t Au; and
6. CP031 intersected 36.0 metres averaging 1.278 g/t Au, 2.3 g/t Ag, 0.33% Pb and 1.13% Zn.

CP025 was drilled under Phase One holes CP020 and CP021, which both intersected sections of highly anomalous mineralization. The paucity of gold and silver and abundance of base metals found in this hole points to the vertical zoning of the deposit. CP026 was drilled along strike 100 meters north of the section with CP025 and intersected the zone approximately 100 meters below surface. CP027 was drilled along strike 100 meters north of CP026 and also intersected the zone approximately 100 meters below surface. CP028 was drilled under very high surface samples on the Yamana option as outlined in Oroco's press release dated August 11, 2009. The hole failed to intersect the target because of poor drilling conditions and was redrilled as CP030 which also failed to intersect the mineralized zone in a complex structural area. CP039 did intersect the structure and the Company is waiting for the assays from this drill hole. CP029 was drilled to intersect the mineralized zone 100 meters below CP026 and CP031 was drilled 100 metres below CP029

Assays have been received for four holes and the highlights are presented in the following table.

Significant Intersections from Cerro Prieto Drill Results

Hole No	From (m)	To (m)	Apparent Thickness	True Thickness	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
CP025	219.0	272.1	53.1	34.5	0.126	4.2	0.19	1.01
	222.0	266.5	44.5	28.9	0.137	4.9	0.22	1.16
	223.5	253.0	29.5	19.2	0.148	7.1	0.29	1.45

Hole No	From (m)	To (m)	Apparent Thickness	True Thickness	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
CP026	131.0	146.6	15.6	14.0	0.324	65.2	0.10	0.28
incl	140.4	146.6	6.2	6.0	0.686	156.2	0.11	0.25
and	139.0	143.5	4.5	4.3	1.030	82.9	0.11	0.24
CP027	82.5	96.0	13.5	12.2	0.826	10.2	0.09	0.22
incl	87.0	93.5	6.5	5.9	1.663	19.1	0.14	0.25
incl	87.9	91.0	3.1	2.9	2.777	26.2	0.20	0.25
CP028	NO ASSAYS							
CP029	187.0	194.0	7.0	7.0	1.464	2.5	0.18	0.48
incl	188.5	189.5	1.0	1.0	9.070	5.3	0.25	0.64
CP030	NO SIGNIFICANT ASSAYS							
CP031	204.0	240.0	36.0	31.0	1.278	2.3	0.33	1.13
incl	220.5	231.0	10.5	9.0	3.782	5.6	0.68	2.43
and	220.5	237.0	16.5	14.2	2.432	4.5	0.61	2.09

The Company has now drilled and received assay results from holes CP023, CP025, CP026, CP027, CPO29 and CP031 drilled over a distance of 300 meters along strike to the immediate north of the oxide mineralized zone defined in the 2008 drill program (from line 650 to line 950), with the result of extending the total drilled length to 900 meters with a maximum depth of 350 meters. Seven holes have been drilled at 100 meter centers from line 950 to line 1150, extending the zone for an additional 200 meters, for which assays are awaited.

These results verify that the mineralized zone extends to the north and maintains a significant thickness. The drilling completed in 2008 enabled the Company to complete a resource estimate from line 150N to line 750N (a distance of 600 meters) and identified the Cerro Prieto Mineralized Zone in drilling as far north as line 1050N in step out hole CP023. Visual results from the holes drilled on the Argonauta Property also indicate that the faulting, shearing and brecciation that characterize the zone are all present through line 2150N. The Cerro Prieto Mineralized Zone has now been identified in drilling over a total distance of two kilometers and is still open, within a 17.5 kilometer strike length, in both directions.

As well as the current drill program, the Company is continuing to advance the project on other fronts, including engineering, environmental and metallurgical. A contract to do a base line environmental program will be signed shortly and samples for metallurgical testing are have been submitted to Kappes Cassidy for column testing. As well, Moose Mountain Mining Consultants have begun detailed work on a preliminary mine assessment from the resources calculated from the 2008 program.

Xochipala Property, Guerrero State, Mexico

The Company, through its subsidiary, Minera Xochipala, purchased an interest in two contiguous mining concessions, Celia Generosa and Celia Gene (the "Xochipala Property") and is pursuing the acquisition of registered title. In connection with the acquisition of the interest in the Xochipala Property, the Company paid approximately $18,000 (186,000 pesos) to the Xochipala vendors and various other parties, 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 reimbursed ATM $69,000 for related expenses as mentioned above. The Company was aware at the time of purchase of liens registered on title to the Xochipala Property as against the benefit of a then expired (March, 2002) option agreement (the "Liens"), but had received Mexican legal advise that the liens could be removed and Minera Xochipala's interest could then be registered.

Minera Xochipala's title to the Xochipala Property is subject to the successful registration with the Public Registry of Mines of Minera Xochipala's acquisition. The Company received notice from the Public Registry of Mining on October 14, 2009 advising that it was rejecting the Company's application for registration of its interest in the Xochipala Property on the grounds that such registration would adversely affect the rights of the third party lien holders. The Company and its Mexican legal counsel are of the opinion that the response of the Registry is wrong and not supported by Mexican law. The Company has avenues of appeal available to it and is currently considering its response to the Registry's ruling. If the Company is successful in having its interest in the Xochipala Property registered and it elects to maintain the concessions, it will be required to pay concession tax arrears and penalties in the amount of approximately 670,000 pesos (approximately $67,000). The Company has no current plans to conduct any further exploration on the Xochipala Property. The Company has decided to place this property into abeyance pending the outcome of its application for registered title. Accordingly, the Company has written off $224,303 attributed to the costs of the Xochipala property.

The Xochipala Property has a combined area of 193 hectares and is located in the southeast extreme of the former Morelos National Mining Reserve in the state of Guerrero, Mexico, 30 kilometres northwest of Chilpancingo, the regional capital. The Morelos National Mining Reserve was a 49,400 hectares federal mineral reserve which encompassed a northwest trend of intrusions with associated gold bearing iron skarn deposits and is part of a wider area which has come to be known as the Guerrero Gold Belt. The Guerrero Gold belt hosts several producing or near producing gold deposits including Los Filos – Bermajal (Goldcorp), El Limon (Goldcorp and Teck Cominco) and Nukay (Goldcorp).

The Xochipala Property hosts skarn mineralization associated with felsic intrusions of similar age and composition to mineralization in the known ore deposits in the area. The mineralization lies in very well defined structures that outcrop for over one kilometer and were the site of some of the earliest gold mining in the region from a number of small underground artisanal workings.

Salvador Property, Guerrero State, Mexico

The Salvador Property is a 100 hectare mining concession 100% owned by Minera Xochipala which lies approximately 25 kilometers to the west of the Xochipala Property and approximately 30 kilometers west of Chilpancingo, Guerrero. The Salvador property also hosts skarn mineralization associated with felsic intrusions similar to mineralization in the known ore deposits in the area. The concession was acquired for the sum of 1,021,877 pesos ($108,201) paid in cash.

The Company has no immediate plans to conduct exploration on it, but may in the future consider conducting an exploration program on the property or forming a joint venturing with another company in order to conduct exploration. The Company had decided to write off costs of $113,010 attributed to the Salvador property at May 31, 2009.

Financial Statement Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

Mineral Properties and Related Deferred Exploration Expenditures

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be written off over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written off to operations.

Recorded costs of mineral properties and deferred exploration expenditure are not intended to reflect present or future values of resource properties.

Selected Quarterly Information

The following information is derived from the consolidated financial statements of the Company for the nine months ended February 29, 2008, the three months ended May 31, 2008, the three months ended August 31, 2008, the three months ended November 30, 2008, the three months ended February 28, 2009, the three months ended May 31, 2009 and the three months ended August 31, 2009:

	Three months ended August 31, 2009	Three months ended May 31, 2009	Three months ended February 28, 2009	Three months ended November 30, 2008	Three months ended August 31, 2008	Three months ended May 31, 2008	Nine months ended February 29, 2008
Administration expense	$ 170,544	$753,563	$ 167,533	$ 243,397	$ 138,454	$ 332,020	$ 400,232
Other income	3,073	(13,077)	(2,706)	8,074	(28,374)	(35,642)	164,110
Net loss for the period	167,471	694,474	170,239	235,323	166,828	367,662	236,122
Net loss per share	0.01	0.02	0.01	0.01	0.01	0.02	0.01
Total assets	5,875,035	4,873,300	5,470,068	5,618,027	5,834,785	5,984,580	3,705,190
Total Liabilities	$ 348,694	229,575	221,361	$ 199,081	$ 265,999	$ 248,966	$1,664,107

The financial statements for the nine months ended February 29, 2008 were the first interim financial statements presented by the Company outside of a prospectus filed on February 13, 2008.

Significant variation in the administrative expense for the period ending May 31, 2009 is mainly due to the write down of previously capitalized acquisition and exploration expenditures associated with the Xochipala Property and Salvador concession.

Results of Operations

The Company recorded a loss of $167,471 for the quarter ended August 31, 2009. The Company has no income producing assets and has not reported any revenue from operations. The Company is considered to be in the exploration stage.

Administrative expenses are very similar to the previous comparable quarter. Shareholder communications and investor relations includes $14,597 paid to General Research GmbH and $9,121 for the Cambridge show.

Liquidity and Capital Resources

As of August 31, 2009, the Company had a positive working capital position of $325,887 as compared to the year ended May 31, 2009 when the Company had a negative working capital position of $132,992. Cash in the bank was $621,038 at August 31, 2009.

The Company completed a private placement of 6,500,000 units at a price of $0.15 per unit. Each unit consisted of one common share and one transferable common share purchase warrant exercisable into one additional common share for a period of nine months at a price of $0.25 per share. The Company paid finders fees consisting of 268,200 "Finders Units," wherein each Finders Unit is comprised of one common share of the Company and one warrant exercisable for one year at $0.40 and $4,500 cash.

The Company is not in commercial production on any of its mineral properties and, accordingly, it does not generate cash from operations. In order to fund further exploration work, the Company is dependent upon raising financing through the issuance of its securities.

Outlook

The Company has as its main asset an exploration property. As such the outlook for the Company is strongly tied to exploration drilling success.

Off Balance Sheet Arrangements

The Company currently has no off-balance sheet arrangements that would potentially affect current or future operations, or the financial condition of the Company.

Related Party Transactions

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

	For the three months ended August 31, 2009	For the three months ended August 31, 2008
Management and director fees	$ 21,750	$ 10,500
Deferred resource expenditures	7,200	15,300
Consulting fees	10,500	-
Professional fees *	19,775	24,725
Total	$ 59,225	$ 50,525

As at August 31, 2009 accounts payable and accrued liabilities included $111,018 (2009 - $76,792) owing to officers and directors for directors, management, legal and accounting fees.

These charges were measured by the exchange amount, which is the amount agreed upon by the related parties. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms. The above transactions were incurred in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the transacting parties.

Contractual Obligations

Pursuant to a lease agreement dated May 25, 2007, as amended September 15, 2008, the Company has a commitment relating to its head office lease which expires in August, 2013. The Company also has an agreement with Northern Rand Resource Corp. ("Northern Rand") for the same term, pursuant to which Northern Rand agrees to pay one half of the rent and general operating costs of the head office. The Company's share of the office rent and general operating costs are currently approximately $4,000 per month.

The Company has no material capital lease agreements and no material long term obligations other than those described above or in the description of mineral properties.

Proposed Transactions

The Company does not currently have any proposed transactions approved by the board of directors. All current transactions are fully disclosed in the audited Financial Statements.

Changes in Accounting Policies

Adoption of new accounting standards

Nil

Recent Accounting Pronouncements

The following accounting pronouncements are applicable to future reporting periods. The Company is currently evaluating the effects of adopting these standards:

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaced existing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which establishes standards for the preparation of consolidated financial statements and will replace the existing Handbook Section 1600, Consolidated Financial Statements. The new standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Handbook Section 1582, Business Combinations, and Handbook Section 1602, Non-Controlling Interests. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interests, which establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. The new standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations, and Section 1601, Consolidated Financial Statements. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

The CICA issued Section 1582 Business Combinations, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The adoption of the revised standard is expected to impact the Company's financial statements only to the extent that business combinations are entered into after the effective date.

In January 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173 The Company will adopt this recommendation in its fair value determinations for the fiscal year ending May 31, 2010.

In March 2009 the EIC issued EIC-174, Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. This EIC also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The Company will adopt this recommendation for its fiscal year ending May 31, 2010.

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS effective April 1, 2011 and will be required to restate, for comparative purposes, amounts reports by the Company for its year ended May 31, 2011. This initiative is in its early stages as of the date of these annual financial statements. Accordingly, it would be premature to assess the impact of the initiative on the Company at this time.

Risks and Uncertainties

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in resource properties and the attainment of profitable operations is dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.

b) The only source of future funds for further acquisitions and exploration programs, or if such exploration programs are successful, the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another interested party carry out further exploration or development. Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.

c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

d) The prices of metals greatly affect the value of and the potential value of its properties. This, in turn greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.

e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.

f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.

g) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on any forward looking statement. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

Critical Accounting Estimates

Preparing financial statements in accordance with GAAP requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position.

The carrying values of the resource properties incurred in an exploration stage are subject to an impairment evaluation. All of the expenditures incurred to date have been capitalized. It is management's opinion that the estimated cash flows expected to result from the future use of the property and its eventual disposition will exceed its carrying amount.

Capital disclosures

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.

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.

Financial instruments

As at August 31, 2009, the Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values because of their current nature.

Credit Risk

The Company is exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as they are held at a major Canadian Chartered Bank.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall 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 functional currencies. The Company does not invest in derivatives to mitigate these risks.

Interest Rate Risk
The Company is not exposed to significant interest rate risk.

Subsequent events
Other than as set out above with regard to the Company's Phase Two exploration program and the Xochipala Property, there were no subsequent events material to the Company.

OTHER MD&A DISCLOSURE REQUIREMENTS

Disclosure by Venture Issuer without significant revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the Financial Statements to which this MD&A relates. An analysis of the material components of the acquisition and deferred exploration costs of the Company's mineral properties is disclosed in the annual Financial Statements to which this MD&A relates.

Share Capital

As at August 31, 2009, the Company had 34,900,720 common shares outstanding. In addition, there were 2,050,000 incentive stock options with an exercise price of $0.55; 75,000 incentive stock options at exercise prices of $0.15 per share; incentive 250,000 stock options at an exercise price of $0.25 per share; 800,000 compensation options with an exercise price of $0.55, 6,500,000 share purchase warrants with an exercise price of $0.25 and 307,500 share purchase warrants with an exercise price of $0.40. Further particulars on stock options and share purchase warrants are available in the annual Financial Statements for the year ended May 31, 2009.

Information Available on SEDAR

Additional information relating to the Company is available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors,

October 30, 2009

"*Craig Dalziel*"

President