OROCO RESOURCE CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FEBRUARY 29, 2012

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying interim financial statements, notes to interim financial statements and the related Management's Discussion and Analysis.

OROCO RESOURCE CORP.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(unaudited)

	February 29, 2012	May 31, 2011	June 1, 2010
ASSETS			
CURRENT			
Cash	$ 639,635	$ 558,766	$ 376,230
VAT recoverable	497,379	91,880	24,179
Prepaid expenses	4,972	17,704	48,712
Loan receivable from related party (Note 7)	-	255,000	-
	1,141,986	923,350	449,121
INTEREST IN RESOURCE PROPERTIES (Note 4)	-	8,142,698	6,927,316
PROPERTY, PLANT AND EQUIPMENT (Note 5)	12,821,347	25,384	32,774
	$ 13,963,333	$ 9,091,432	7,409,211
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	$ 775,740	$ 113,831	$ 153,414
Due to related parties (Note 7)	225,445	150,385	155,060
Loans payable (Note 9)	2,464,033	-	-
	3,465,218	264,216	308,474
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (Note 6)	14,144,451	11,999,751	9,501,806
SHARE SUBSCRIPTIONS (Note 6)	505,000	60,000	-
RESERVES (Note 6)	1,619,219	1,222,098	990,063
DEFICIT	(5,770,555)	(4,454,633)	(3,391,132)
	10,498,115	8,827,216	7,100,737
	$ 13,963,333	$ 9,091,432	$ 7,409,211

GOING CONCERN CONTINGENCY (Note 1)
COMMITMENTS (Note 8)
SUBSEQUENT EVENTS (Note 13)

Approved on behalf of the Board:

"Craig Dalziel"
Craig Dalziel – Director

"Steve Vanry"
Steve Vanry – Director

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

OROCO RESOURCE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
(unaudited)

	For the Three Months Ended February 29, 2012	For the Three Months Ended February 28, 2011	For the Nine Months Ended February 29, 2012	For the Nine Months Ended February 28, 2011
EXPENSES				
Amortization	$ 1,121	$ 2,524	$ 3,555	$ 5,745
Bank charges, finance fees and interest	366	24,838	1,649	25,417
Consulting fees	134,869	31,051	455,071	94,769
Management and director fees (note 7)	79,250	48,278	170,000	118,907
Office and general	22,768	17,470	78,532	63,646
Professional fees (note 7)	67,575	71,497	230,296	200,338
Rent	22,425	10,511	51,887	31,305
Shareholder communications and investor relations (note 7)	61,503	21,661	202,653	79,558
Transfer agent and filing fees	11,199	4,837	37,699	22,184
Travel	21,073	2,916	56,011	26,027
LOSS BEFORE OTHER ITEMS	(422,149)	(235,583)	(1,287,353)	(667,896)
FOREIGN CURRENCY (LOSS)	74,750	2,794	(32,805)	2,095
INTEREST INCOME	-	-	4,236	-
NET LOSS AND COMPREHENSIVE LOSS	(347,399)	(232,789)	(1,315,922)	(665,801)
DEFICIT, BEGINNING OF PERIOD	(5,423,156)	(3,823,970)	(4,454,633)	(3,390,958)
DEFICIT, END OF PERIOD	$ (5,770,555)	$ (4,056,759)	$ (5,770,555)	$ (4,056,759)
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC AND DILUTED	60,931,893	47,471,308	59,216,027	46,110,827

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

OROCO RESOURCE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(unaudited)

	For the Three Months Ended February 29, 2012	For the Three Months Ended February 28, 2011	For the Nine Months Ended February 29, 2012	For the Nine Months Ended February 28, 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$ (347,399)	$ (232,789)	$ (1,315,922)	$ (665801)
Adjusted for items not involving cash:				
- amortization	1,121	2,524	3,555	5,745
- stock-based compensation	137,377	7,539	158,821	50,690
- unrealized foreign exchange gain	(76,120)	-	26,458	-
- accrued and unpaid interest	18,543		18,543	
	(266,478)	(222,726)	(1,108,545)	(609,366)
Changes in working capital items:				
- VAT recoverable	(17,948)	(17,621)	18,284	(42,747)
- prepaid expenses	541	(1,210)	12,732	39,599
- loan receivable from related party	-		255,000	
- accounts payable and accrued liabilities	(203,712)	242,225	2,704	191,439
- accounts payable included in mineral property	(80,708)		(423,783)	
- due to related parties	(8,184)	43,548	15,413	72,503
Cash flows used in operating activities	(560,121)	44,216	(1,228,195)	(348,572)
CASH FLOWS FROM INVESTING ACTIVITIES				
Mine development costs	(373,377)	(406,639)	(3,937,968)	(701,904)
Cash flows used in investing activities	(373,377)	(406,639)	(3,937,968)	(701,904)
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares and subscriptions received	505,000	224,505	2,828,000	624,505
Loans payable	-	86,000	2,419,032	86,000-
Cash flows from financing activities	505,000	310,505	5,247,032	710,505
INCREASE (DECREASE) IN CASH	(428,498)	(51,918)	80,869	(339,971)
CASH, BEGINNING OF PERIOD	1,068,133	81,177	558,766	376,230
CASH, END OF PERIOD	$ 639,635	$ 36,259	$ 639,635	$ 36,259

SUPPLEMENTAL CASH-FLOW INFORMATION (Note 10)

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

OROCO RESOURCE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

	Capital Stock						
	Number	Amount	Reserves	Subscription Receipts	Accumulated Other Comprehensive Income	Deficit	Total
May 31, 2010	44,657,421	$ 9,501,806	$ 990,063	-	-	$ (3,391,132)	$ 7,100,737
Shares for debt	70,000	17,500	-	-	-	-	17,500
Net loss for the period	-	-	-	-	-	(665,801)	(665,801)
Stock based compensation	-	-	50,690	-	-	-	50,690
Issued Pursuant to Yamana Option	500,000	110,000	-	-	-	-	110,000
Private Placement – Oct. 18/10	2,000,000	400,000	-	-	-	-	400,000
Reallocation of estimated fair value of warrants	-	(40,000)	40,000	-	-	-	-
Exercise of warrants	748,350	224,505	-	-	-	-	224,505
Reallocation on exercise of warrants	-	16,058	(16,058)	-	-	-	-
February 28, 2011	47,975,771	10,229,869	1,064,695	-	-	(4,056,759)	7,237,805
Private Placement – Mar. 11/11	3,941,334	1,182,400	-	-	-	-	1,182,400
Warrants Exercised	2,195,250	658,575	-	-	-	-	658,575
Reallocation of estimated fair value of warrants	-	(118,200)	118,200	-	-	-	-
Reallocation on exercise of warrants	-	47,107	(47,107)	-	-	-	-
Subscriptions received	-	-	-	60,000	-	-	60,000
Stock based compensation	-	-	86,310	-	-	-	86,310
Net loss for the period	-	-	-	-	-	(397,874)	(397,874)
May 31, 2011	54,112,355	11,999,751	1,222,098	60,000	-	(4,454,633)	8,827,216
Private Placement - Jul 26/11	4,250,000	1,190,000	-	(60,000)	-	-	1,130,000
Private Placement – Nov 23/11	4,772,000	1,193,000	-	-	-	-	1,193,000
Reallocation of estimated fair value of warrants	-	(238,300)	238,300	-	-	-	-
Stock based compensation	-	-	158,821	-	-	-	158,821
Net loss for the period	-	-	-	-	-	(1,315,922)	(1,315,922)
Private Placement – March 5, 2012	-	-	-	505,000	-	-	505,000
February 29, 2012	63,134,355	$ 14,144,451	$ 1,619,219	$ 505,000	-	$ (5,770,555)	$ 10,498,115

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

NOTE 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 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.

NOTE 2 – BASIS OF PRESENTATION AND FIRST TIME ADOPTION OF IFRS

Statement of Compliance

These condensed consolidated interim financial statements for the nine-months ended February 29, 2012 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and comprise the Company and its subsidiaries (together referred to as the "Group"). These are the Group's third IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1, *First Time Adoption of International Financial Reporting Standards,* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2011 audited annual financial statements prepared under Canadian Generally Accepted Accounting Principles (CGAAP), and in consideration of the disclosure regarding explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group as provided in Note 14. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under CGAAP to those reported for those periods and at the date of transition under IFRSs. The Company's transition date is June 1, 2010.

Going Concern

These financial statements have been prepared on a going concern basis which implies that the Company will continue realizing assets and discharging liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. On February 29, 2012 the Company had a working capital deficiency of $2,323,232 and an accumulated deficit of $5,770,555. Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed and ultimately on generating future profitable operations.

The Company has as its main asset a property, which it is currently developing with the intent of constructing an open pit, heap leach gold mine and refinery. As such, the outlook for the Company is strongly tied to its ability to raise the financing necessary to construct the mine and attain profitable operations thereafter. The Company has entered into an indicative term sheet with regard to a US$18 million gold prepayment agreement. This agreement will require the Company to finance the balance of the capital necessary to construct the mine as a precondition to the release to the Company of some or all of the gold prepayment funds. It is important that the Company meet the conditions for release of the gold prepayment funds in order for it to construct the mine, initiate production and attain positive cash flows. There can be no assurance this will occur and if the Company does not achieve this, the net realizable value of the Company's assets may be materially less than the amounts recorded in these financial statements. In addition, the Company expects it will need to raise capital to continue its other operations through its next fiscal year, which raises uncertainty as to the ability of the Company to continue as a going concern. The Company is confident in its ability to raise new funding by way of offerings of new equity and debt, or a combination thereof. Solicitation of such funding will be structured so as to, at minimum, adequately cover ongoing costs for the entirety of fiscal 2012.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim consolidated interim financial statements and in preparing the opening IFRS statement of financial position at June 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Cash and cash equivalents

The Company classifies cash and short-term investments with original maturities less than or equal to three months as cash and cash equivalents. At February 29, 2012 and February 28, 2011 the Company did not hold any cash equivalents.

Resource properties

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and amortized over the estimated useful life of the property following commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

The costs include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of mineral properties. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The Company does not accrue estimated future costs of maintaining its mineral properties in good standing.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the mineral interests.

Management evaluates each mineral interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write-downs due to impairment in value are charged to operations.

Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

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

Property, plant and equipment

Property, Plant and equipment is stated at cost less accumulated amortization. The cost of property, plant and equipment at June 1, 2010, the date of transition to IFRSs, was determined by reference to its historical cost less accumulated amortization as previously reported under CGAAP.

The Company capitalizes borrowing costs that are directly attributable to its mine development activities. These costs include loan origination fees and interest costs, which form part of the cost of the plant.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization is provided for using the declining-balance method at the following rates per annum:

Mining Assets	Units of production
Computer equipment	30%
Furniture and fixtures	20%
Leasehold improvements	20%
Automotive equipment	10%

Amortization is recorded at one-half the normal rate in the year of acquisition

Impairment of long-lived assets
The Company reviews the carrying amount of long-lived and intangible assets for impairment annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or have been impaired. The determination of impairments is based on a comparison of undiscounted estimated future cash flows anticipated to be generated during the remaining life of the asset to the net carrying value of the asset. If impairment is determined, the long lived asset is written down to fair value.

Asset retirement obligations
The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As at February 29, 2012, the Company had no asset retirement obligations.

Environment costs
Environmental expenditures that related to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Foreign currency translation
The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the subsidiary operates. The consolidated financial statements are presented in Canadian dollars, which is Oroco Resource Corp.'s functional currency. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

The Company uses the temporal method of foreign currency translation for translating the operations of its integrated subsidiaries. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates that prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

Use of estimates
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

management estimates relate to the determination of impairment of mineral property interests and the determination of fair value for stock based transactions, estimated useful lives of assets and the future tax rates to determine future income taxes and realization of future income tax assets. Where estimates have been used, financial results as determined by actual events could differ from those estimates.

Stock-based compensation
The Company recognizes compensation expense for stock options using the fair value based method. Under this method, the fair value of options granted is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, volatility factor of the expected market price of the Company's stock, and the weighted average expected life of the options. The estimated fair value of the options is determined at the date of grant and recorded over the options' vesting period. Any consideration paid on amounts attributable to stock options is credited to share capital upon exercise together with amounts previously allocated to contributed surplus arising from the initial value recorded.

Loss per share
The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share figures have been calculated using the weighted average number of shares outstanding during the respective periods. Diluted loss per share figures are equal to those of basic loss per share for each year since the effects of the share purchase warrants and stock options have been excluded as they are anti-dilutive.

Future income taxes
Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent the Company does not consider it to be more likely than not that a future tax asset will be recovered; it provides a valuation allowance against the excess. The Company has not recognized potential future benefit amounts as the criteria for recognition under Canadian generally accepted accounting principles have not been met.

Comprehensive income (loss)
Comprehensive income (loss) is defined as the change in equity from transactions and other events from non owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss) calculated in accordance with generally accepted accounting principles.

For the nine-month periods ended February 29, 2012 and February 28, 2011 the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the year is equal to the net loss for the year.

Financial instruments
Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as held-for-trading, available for sale financial assets, held to maturity, loans and receivables, or other financial liabilities as follows:

- Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period.
- Available for sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet.
- Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period unless the instrument is a cash flow hedge and hedge accounting applies in which case changes in fair value are recognized in other comprehensive income.

The Company does not engage in any form of derivative or hedging instruments.

The Company's financial instruments consist of cash, amounts due from related party, accounts payable and amounts due to related parties. The value of the Company's arm's length short-term financial instruments is estimated by management to approximate their carrying values due to their immediate or short-term maturity.

The Company designated its cash as held-for-trading, which is measured at fair value. Amounts due from related party are classified as loans and receivables, which are measured at amortized cost. Accounts payable and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Also see Note 12.

Comparative figures
Certain figures presented for comparative purposes have been reclassified to conform with the presentation adopted for the current period.

New Accounting Standards Not Yet Adopted
In November 2009, the IASB published IFRS 9, "Financial Instruments", which 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 their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact the Company upon implementation of the issued standard.

IFRS 10, "Consolidated Financial Statements", requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements".

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers".

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to Other Standards
In addition, there have been amendments to existing standards, including IAS 27, "Separate Financial Statements" and IAS 28, "Investments in Associates and Joint Ventures". IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10, 11, 12 and 13.

NOTE 4 –INTEREST IN RESOURCE PROPERTIES

For the nine months ended February 29, 2012

	Cerro Prieto Properties
Balance at May 31, 2011	$ 8,142,698
Acquisition costs	
Share consideration	-
Deferred exploration expenditures:	
Assessment and taxes	18,088
Capitalized interest	139,422
Mine development	670,799
Engineering	39,325
Royalty payments	29,690
Sampling	4,454
Geologists	18,141
	919,919
Transfer to Property, Plant & Equipment	(9,062,617)
Balance at August 31, 2011, November 30, 2011 and February 29, 2012	$ 0

For the year ended May 31, 2011

	Cerro Prieto Properties
Balance at May 31, 2010	$ 6,927,316
Acquisition costs	-
Share consideration	110,000
Cash	16,080
	126,080
Deferred exploration expenditures:	
Assessment and taxes	106,566
Economic assessment and planning	606,804
Engineering	83,168
Royalty payments	119,897
Sampling	118,290
Geologists	54,577
	1,089,302
Balance at May 31, 2011	$ 8,142,698

NOTE 4 –INTEREST IN RESOURCE PROPERTIES (continued)

(a) Cerro Prieto Properties, Sonora State, Mexico

The Cerro Prieto Property, located in the Cucurpe Mining District, Sonora, Mexico, is comprised of the San Felix (205 ha), San Francisco (10 ha), Cerro Prieto "North" (2,508 ha), Argonauta 6 (4,120 ha), Elba (5.82 ha), Reyna de Plata (9.79 ha) and Huerto De Oro (20 ha) mineral concessions.

(i) San Felix and San Francisco Concessions ("SF Concessions")

The SF Concessions are 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 on all sides.

On August 26, 2006, as amended on December 15, 2006 and May 18, 2007, the Company entered into an assignment agreement (the "Assignment Agreement") whereby ATM Mining Corp. ("ATM") and Salvador Rivero Cortina ("Rivero") assigned their rights and interests in the SF Concessions and the Xochipala Property 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 titles to the SF Concessions are held by Minas de Oroco S.A. de C.V. ("Minas de Oroco"). Both Minera Polimetalicos Mexicanos S.A. ("Polimetalicos") and Minas de Oroco were formed by the vendors of the SF Concession (the "SF Concession Vendors") to facilitate the Company's acquisition of the SF Concessions and its operations in Mexico. In connection with the Assignment Agreement, the Company entered into an agreement with the SF Concession Vendors to purchase their shares of Polimetalicos in consideration for $2,756,376 ($2,500,000 USD) (paid).

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

(ii) Cerro Prieto "North" Concession

The Cerro Prieto "North" concession is a 2,507 hectare property located in the Cucurpe Municipality of Sonora State, Mexico. It was staked on behalf of the Company for a total cost of $96,041. Minas de Oroco acquired registered title to the concession pursuant to an agreement with Mr. Canas dated March 9, 2009.

(iii) Argonauta 6 Concession

The Company entered into an agreement dated May 5, 2009 with Yamana Gold Inc. ("Yamana") wherein Yamana agreed to cause its Mexican subsidiary, Minera Meridian Minerales S. de R.L. de C.V. ("Meridian") to grant Minas de Oroco an option (the "Argonauta Option") to acquire a 100% interest, subject to a 2% net smelter return royalty, in a 4,120 hectare portion of its larger Argonauta 5 Fraccion 1 mineral concession bordering the Company's SF Concessions to the north, south, west and east.

The Company agreed to issue 500,000 common shares to Yamana upon the granting of the Argonauta Option (issued). To maintain the option in good standing, the Company was required to drill at least 1,500 metres on the optioned property before December 31, 2010 (completed), and to reimburse Yamana for any property taxes paid by Yamana with regard to the optioned property. Upon completion of the drilling, Minas de Oroco became entitled to exercise the Argonauta Option, upon which event Oroco was required to issue an additional 500,000 common shares to Yamana.

Minas de Oroco has exercised the Argonauta Option and Oroco has issued the additional 500,000 common shares to Yamana. Pursuant to a concession transfer agreement dated September 13, 2010 between Minas de Oroco and Meridian, the Company has acquired a 100% interest in the optioned property (now called the Argonauta 6 concession), subject to a 2% net smelter return royalty payable to Meridian.

NOTE 4 –INTEREST IN RESOURCE PROPERTIES (continued)

(iv) Elba, Reyna de Plata and Huerto de Oro

Pursuant to a Promise Agreement dated December 27, 2010, the Company, through Minas de Oroco, committed to purchase the Elba, Ruena de Plata and Huerto de Oro mineral concessions in Sonora Mexico for the price of MX$875,000 pesos, against which the Company has paid a $16,080 (MX$200,000 peso) deposit. On December 23, 2011, the Company completed its acquisition of the Elba, Reyna de Plata and Huerto de Oro mineral concessions.

(b) Celia Gene and Celia Generosa Concessions (the "Xochipala Property")

The Xochipala Property is two contiguous concessions, with a combined area of 193 ha, located in Guerrero State, Mexico. The Company's title to the Xochipala Property is subject to the successful registration of Minera Xochipala S.A. de C.V.'s ("Minera Xochipala") interest with the Public Registry of Mines ("PRM"). The Company received notice from the PRM on October 14, 2009 advising that it was rejecting Minera Xochipala'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 PRM position is wrong and not supported by Mexican law. The Company appealed the PRM initial decision to the Federal Tribunal of Fiscal and Administrative Justice, which handed down its decision on July 14, 2011. While nullifying PRM's rejection of the Company's application for registration on technical grounds, the court agreed with what was assumed to be the basis for PRM's decision. As a result of the Federal Tribunal's decision, PRM is required to reconsider the Company's application. The Company and its Mexican legal counsel are of the opinion that the Federal Tribunal's position on the assumed basis for PRM's rejection of the Company's application is wrong at law and the Company filed an appeal of that portion of the Federal Tribunal decision. The appeal court handed down its decision on January 26, 2012 in which decided in favour of the Company and directed the Federal Tribunal to amend its decision to remove the contested portion of it; which the Tribunal did on April 3, 2012. Meanwhile, the Company has been meeting directly with and making submissions to PRM for their consideration when reconsidering the Company's application for registration of its interest in the Xochipala Property pursuant to the amended Federal Tribunal decision.

The Company has decided to place this property into abeyance pending the final outcome of its application for registered title. Accordingly, the Company has written off $224,303 attributed to the costs of the Xochipala property in fiscal 2009.

(c) Salvador Property, Guerrero State, Mexico

The Salvador Property is a 100 hectare mining concession 100% owned by Minera Xochipala. The Company has no immediate plans to explore the Salvador Property and fully impaired the carrying value of $113,080 attributed to the property as at May 31, 2009.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	Net book value
		February 29, 2012	
Mining assets – Cerro Prieto	$ 12,799,518	$ -	$ 12,799,518
Automotive equipment	15,948	7,237	8,711
Computer equipment	23,110	16,251	6,859
Leaseholds	10,017	5,070	4,947
Office furniture	3,070	1,758	1,312
Total	$ 12,851,663	$ 30,316	$ 12,821,347
		May 31, 2011	
Automotive equipment	$ 15,948	$ 6,531	$ 9,417
Computer equipment	23,110	14,443	8,667
Leaseholds	10,017	4,247	5,770
Office furniture	3,070	1,540	1,530
Total	$ 52,145	$ 26,761	$ 25,384

NOTE 6 – SHARE CAPITAL

(a) Authorized:
100,000,000 common shares of no par value.

(b) Issued and outstanding
At February 29, 2012, the Company has issued and outstanding 63,134,355 common shares.

On June 4, 2010, the Company issued 70,000 common shares at a fair value of $0.25 per share, in settlement of $17,500 of debt.

On September 13, 2010, pursuant to the terms of the letter agreement dated May 5, 2009 between the Company and Yamana, the Company issued 500,000 common shares to Yamana upon the exercise by Minas de Oroco of its option to acquire the Argonauta 6 concession from Yamana's Mexican subsidiary, Meridian (See Note 3 – Interest in Mineral Properties (iii) Yamana Property).

On October 18, 2010, the Company completed a private placement of 2,000,000 units at a price of $0.20 per unit to raise gross proceeds of $400,000. Each unit consisted of one common share and one half of one non-transferable common share purchase warrant with each whole warrant exercisable into one additional common share for a period of eighteen months at a price of $0.30 per share. The fair value of the warrants attached to this private placement was estimated to be $40,000. Fair value was estimated to be 10% of the unit offering price, an amount which management believes accurately represents the value ascribed by subscribers to the unit offering.

On March 11, 2011 the Company completed a private placement of 3,941,334 units at a price of $0.30 per unit to raise gross proceeds of $1,182,400. Each unit consisted of one common share and one half of one non-transferrable common share purchase warrant with each whole warrant exercisable into one additional common share for a period of eighteen months at a price of $0.45 per share. The fair value of the warrants attached to this private placement was estimated to be $118,200. Fair value was estimated to be 10% of the unit offering price, an amount which management believes accurately represents the value ascribed by subscribers to the unit offering.

On July 26, 2011, the Company completed a private placement of 4,250,000 units at a price of $0.28 per unit to raise gross proceeds of $1,190,000. Each unit consists of one common share and one half of one non-transferable common share purchase warrant with each whole warrant exercisable into one additional common share for a period of fifteen months at a price of $0.42 per share. The fair value of the warrants attached to this private placement was estimated to be $119,000. Fair value was estimated to be 10% of the unit offering price, an amount which management believes accurately represents the value ascribed by subscribers to the unit offering.

On November 23, 2011, the Company completed a private placement of 4,772,000 units at a price of $0.25 per unit to raise gross proceeds of $1,193,000. Each unit consists of one common share and one half of one non-transferable common share purchase warrant with each whole warrant exercisable into one additional common share for a period of eighteen months at a price of $0.40 per share. The fair value of the warrants attached to this private placement was estimated to be $119,300. Fair value was estimated to be 10% of the unit offering price, an amount which management believes accurately represents the value ascribed by subscribers to the unit offering.

(c) Warrants
(i) Share purchase warrant transactions:

	Number	Weighted average exercise price	Weighted average life remaining (years)
Balance of warrants at May 31, 2010	3,895,550	$ 0.31	0.90
Issued	2,970,667	0.40	-
Exercised	(2,943,600)	0.30	-
Expired	(817,200)	0.34	-
Balance of warrants at May 31, 2011	3,105,417	$ 0.40	1.04
Issued	4,511,000	0.41	-
Exercised	-	-	-
Expired	(134,750)	0.30	-
Balance of warrants at February 29, 2012	7,481,667	$ 0.41	0.73

NOTE 6 – SHARE CAPITAL (continued)

(ii) Summary of warrants outstanding at February 29, 2012:

Number of warrants	Exercise price	Expiry date
1,000,000	$ 0.30	14-Apr-2012
1,970,667	$ 0.45	12-Aug-2012
2,125,000	$ 0.42	21-Nov-2012
2,386,000	$ 0.40	23-May-2013
7,481,667		

(d) 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 less an applicable discount. The options may be granted for a maximum of five years and vesting is determined by the Board of Directors.

	Number of stock options	Weighted Average Exercise Price
Balance outstanding, May 31, 2010	3,285,000	$ 0.27
Options granted	420,000	0.35
Options cancelled	(310,000)	0.49
Balance outstanding, May 31, 2011	3,395,000	0.26
Options granted	750,000	0.30
Options expired/forfeited/cancelled	(300,000)	0.35
Balance outstanding February 29, 2012	3,845,000	$ 0.26

The weighted average grant date fair value of options granted during the year ended May 31, 2011 was $0.22.

During the fiscal year ending May 31, 2011, a total of 420,000 stock options were granted to certain employees, officers, directors and consultants of the Company at a price of $0.35 per share, exercisable for terms ranging from three to five years. The fair value of these options at the date of grants totaling $100,200 was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of three to five years, risk-free interest rate of between 2.01% - 2.53%; expected dividend yield of 0% and an expected volatility of between 105.32% – 107.39%. A portion of the stock options outstanding vest in installments, whereby each installment is accounted for as a separate arrangement (also know as "Graded Vesting").

During the current quarter, a total of 750,000 stock options were granted to certain employees, officers, directors and consultants of the Company at a price of $0.30 per share, exercisable for a term of five years and fully vested on grant. The fair value of these options at the date of grants totaling $127,500 was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of four years, risk-free interest rate of 1.40%; expected dividend yield of 0% and an expected volatility of 96%. During the quarter ended February 29, 2012, $127,500 was recorded as compensation expense related to options granted during this period.

The following tables summarize information about stock options outstanding at February 29, 2012:

NOTE 6 – SHARE CAPITAL (continued)

Expiry Date	Exercise prices $	Number outstanding at February 29, 2012	Remaining contractual life (years)
1-Nov-13	0.15	75,000	1.92
7-May-14	0.25	250,000	2.44
11-Dec-14	0.25	2,025,000	3.03
16-Dec-14	0.25	375,000	3.05
22-Apr-15	0.25	250,000	3.39
18-May-14	0.25	120,000	2.47
1-Dec-16	0.30	750,000	4.76
		3,845,000	3.11

At February 29, 2012 fully vested stock options totalled 3,810,000 with a weighted average exercise price of $0.26.

NOTE 7 – RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Oroco Resource Corp. and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Minera Xochipala S.A. de C.V.	Mexico	100%	Operating entity
Minas de Oroco S.A. de C.V.	Mexico	100%	Operating entity
Minera Polimetalicos Mexicanos S.A.	Panama	100%	Holding company

Polimetalicos is a Panamanian holding company 100% owned directly by the Company. It holds 98% (49 out of 50 shares) of Minas de Oroco, a Mexican company (the other 2%, being 1 share, is held by Minera Xochipala). Minera Xochipala, a Mexican company, is 98% (49 of 50 shares) directly owned by the Company, with 2% (1 share of 50) held by Minas de Oroco.

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

	For the nine months ended February 29, 2012	For the nine months ended February 28, 2011
Management and director fees	$ 170,000	$ 128,750
Geologist fees	15,051	23,999
Consulting	114,500	-
Professional fees	69,750	80,310
Total	$ 284,301	$ 233,059

Management fees include $34,000 (2011 – $Nil) in stock-based compensation, which pertains to related parties. Consulting fees include $51,000 (2011 – $Nil) in stock-based compensation, which pertains to related parties. Professional fees include $Nil (2011 - $1,680) in stock-based compensation, which pertains to related parties.

As at February 29, 2012 $88,487 (2011 - $136,441) was owing to officers and directors for management, director, legal, consulting and geologist fees. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

The related party transactions were in the normal course of operations and are measured at their exchange amounts being the amount of consideration as agreed to between the related parties.

The Company is party to the following contracts with Key Management personnel:

a) the Company entered into an agreement with ATM Mining Corp. ("ATM") and Craig Dalziel whereby ATM provides Mr. Dalziel's services and Mr. Dalziel serves as the President and Chief Executive Officer of the Company at a monthly fee of $8,000 plus applicable taxes. The Company has also granted Mr. Dalziel 450,000 stock options exercisable at a price of $0.25 per share.

NOTE 7 – RELATED PARTY TRANSACTIONS (continued)

b) the Company entered into an agreement with David Rose whereby Mr. Rose is engaged to perform legal and management services for the Company and serves as its Corporate Secretary at a monthly fee of $9,000 plus applicable taxes. The Company has also granted Mr. Rose 425,000 stock options exercisable at prices of $0.25 and $0.30 per share; and
c) the Company entered into an agreement with Roger Scammell whereby Mr. Scammell is engaged to serve as Vice-President of the Company and to oversee the construction of the planned mine at the Company's Cerro Prieto Project in Sonora, Mexico at a per diem fee of $1,000 per day plus applicable taxes, with a minimum aggregate monthly total of $6,000 plus applicable taxes. The Company has also granted Mr. Scammell 300,000 stock options exercisable at a price of $0.30 per share.

On May 18, 2011, with the approval of the TSX-Venture Exchange, the Company loaned $255,000 to a related party in furtherance of a potential transaction. The loan is a refundable advance, bears interest at the rate of prime plus 1%, and is secured by a pledge of security comprised of a promissory note payable on demand with 30 days notice and a pledge of 1,200,000 common shares of the Company held by the related party. The loan was repaid, with interest of $3,986, by way of payments on October 4 and 5, 2011 and November 29, 2011.

NOTE 8 – COMMITMENTS

The Company has entered into an agreement to lease office space until August 31, 2013, which requires the following annual payments:

2012	$ 88,250
2013	$ 36,770

On June 17, 2011, the Company entered into a lease agreement (the "Lease Agreement") for a seven-year lease of a 1,000 hectare parcel of surface rights over the Cerro Prieto Project, with the option for two consecutive five year extensions. Pursuant to the Lease Agreement, the Company paid the lessor the aggregate lease rate of US$2,000,000 in advance for the initial seven year term in two instalments: US$600,000 at the time of signing and the remaining US$1,400,000 on September 9, 2011.

By an agreement dated August 18, 2011 ("the EPCM Agreement"), the Company retained Sonoran Resources, LLP and its wholly owned Mexican subsidiary ("Sonoran"), to provide equipment procurement and construction management services for the construction of an open pit, heap leach gold mine and refinery at the Company's Cerro Prieto property. Under the terms of the EPCM Agreement, Sonoran will provide all necessary engineering, procurement and construction management services related to the construction of the mine and refinery through to "first-pour". In consideration, the Company will pay Sonoran a flat monthly fee of US$260,900, to a maximum aggregate of US$3,130,800 and, subject to the approval of the TSX-Venture Exchange and the successful completion of a series of milestones, up to an aggregate total of 1,000,000 common shares of the Company and 500,000 options to purchase common shares of the Company at a price of $0.30 per share for a period of 3 years from the date of the EPCM Agreement.

NOTE 9 – LOANS PAYABLE

By a loan agreement dated June 15, 2011 (the "Loan Agreement"), the Company borrowed US$750,000 (the "Bridge Loan") from a wholly owned subsidiary of a New York-based, private institutional investor (the "Lender") for the purpose of paying the first instalment of the lease rate for the surface rights as set out in Note 7. The Bridge Loan is for a term of 180 days unless otherwise repaid earlier from the proceeds of the Gold Prepayment, and is secured by a general security agreement on the assets of the Company and a pledge of its shares in its subsidiaries. The Company paid an origination fee of US$45,000 to the lender.

On August 29, 2011, the Lender exercised its option under the Loan Agreement to advance a further bridge loan, and advanced a further US$1,721,440, being sufficient funds to pay the second instalment of US$1,400,000 due under the Lease Agreement, the associated 16% value added tax and the lender's origination fee of US$97,440. In accordance with the terms of the Loan Agreement, upon the New York Investor advancing the further US$1,721,440, the Bridge Loan and the further bridge loan became due upon demand from the New York Investor.

NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

	For the nine months ended February 29, 2012	For the nine months ended February 28, 2011
Interest paid	$ -	$ -
Taxes paid	$ -	$ -
Non-cash transactions not included in investing or financing activities		
Acquisition of mineral properties by the issuance of shares	$ -	$ 110,000
Shares issued to settle debt	$ -	$ 17,500

NOTE 11 – CAPITAL MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity. There has been no significant change in the Company's objectives, policies and processes for managing its capital during the nine months ended February 29, 2012.

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.

NOTE 12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management of Industry Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. 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 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.

NOTE 12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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
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.

NOTE 13 – SUBSEQUENT EVENTS

On March 22, 2012, the Company completed a private placement of 5,991,800 units (including 121,800 units paid as finders fees) at a price of $0.25 per unit to raise gross proceeds of $1,467,500. Each unit consists of one common share and one half of one non-transferable common share purchase warrant with each whole warrant exercisable into one additional common share for a period of eighteen months at a price of $0.40 per share.

On April 12, 2012 the Company, with the approval of the TSX Venture, amended the terms of 1,000,000 outstanding warrants by extending their term from April 14, 2012 to October 14, 2012. There has been no change to the exercise price of $0.30 per share.

On April 13, 2012 the Company signed an indicative term sheet with a US-based, private institutional investor (the "US Investor") with regard to a $3.75 million convertible debenture (the "Debenture"), a US$15 million gold prepayment agreement (the "Gold Prepayment"), a US$1 million Cost Overrun Facility (the "Facility") and a Off-take Agreement for the Cerro Prieto Project. The Debenture has a term of two years and a coupon rate of 10% per annum. It will be convertible into units of the Company's equity at a deemed price of $0.25 per unit, with each unit being comprised of one common share and one half of one share purchase warrant. Each whole warrant will entitle the holder to purchase a common share of the Company at a price of $0.40 per share for a period of two years from the date of issuance of the Debenture. The Debenture will also grant the holder a right of first refusal to participate in such equity offering as is made by the Company for the purpose of raising the balance of the funds necessary to fund the capital expenditures required to complete and commission a mine at Cerro Prieto, for that number of shares as will give the US Investor a total shareholding of not more than 19.9% of the Company's issued and outstanding shares.

The proceeds from the Gold Prepayment, after deduction of a $540,000 procurement fee (which may, at the election of the Company, be paid in shares of the Company), and reimbursement of associated expenses, to a maximum of US$150,000, incurred by the US Investor, will be used to develop the Cerro Prieto Project. Pursuant to the indicative terms, repayment will be made by the delivery to the NY Investor of 17,500 ounces of gold, subject to pricing adjustments, over the 26 month period commencing as of the thirteenth month after the first draw of funds. The Company will also grant 350 gold warrants per month for 27 months beginning in the 19th month after closing (9,450 ounces total) at an exercise price of $1,550 per ounce, with each warrant exercisable in the first two weeks of the respective month of the warrant.

The US$1 million dollar Cost Overrun Facility will be made available to the Company in the event that, during development of the mine at the Cerro Prieto Project, the Company requires up to an additional one million dollars to complete and commission the mine. The Facility will have a term of 3 years and will bear interest of 10% per annum. Upon the closing of the Facility, the Company will issue bonus share purchase warrants to the lender as allowed by TSX Venture policies, to a maximum of 3.3 million warrants.

The Off-Take Agreement will be an agreement between Minas de Oroco and a subsidiary of US Investor with regard to the sale by Minas de Oroco all of the gold production from the Cerro Prieto Property at market prices current at the time.

On April 18, 2012 the Lender demanded payment of the Bridge Loan. The Company anticipates repaying the Bridge Loan from the proceeds of the Debenture which is anticipated to close within the first few days of May, 2012.

NOTE 14 - FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these consolidated financial statements are for the period covered by the Company's third interim condensed consolidated financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the condensed consolidated financial statements for the period ended February 29, 2012 and 2011, the consolidated financial statements for the year ended May 31, 2011 and the opening IFRS statement of financial position on June 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended August 31,2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with CGAAP. An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

a) to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;

b) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

c) to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous CGAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of June 1, 2010 are consistent with its CGAAP estimates for the same date.

The reconciliation between CGAAP and IFRS consolidated balance sheet as at June 1, 2010 (date of transition to IFRS) is provided below:

NOTE 14 - FIRST TIME ADOPTION OF IFRS (continued)

June 1, 2010

	Note	CGAAP	Effect of Transition to IFRS	IFRS
ASSETS				
CURRENT				
Cash		$ 376,230		$ 376,230
VAT recoverable		24,179		24,179
Prepaid expenses		48,712		48,712
Loan receivable from related party		-		-
		449,121		449,121
INTEREST IN RESOURCE PROPERTIES		6,927,316		6,927,316
PROPERTY AND EQUIPMENT		32,774		32,774
		$ 7,409,211		$ 7,409,211
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities		$ 153,414		$ 153,414
Due to related parties		155,060		155,060
Loans payable				
		308,474		308,474
SHAREHOLDERS' EQUITY				
SHARE CAPITAL		9,501,806		9,501,806
SUBSCRIPTIONS		-		-
RESERVES	b)	978,698	11,191	989,889
DEFICIT	b)	(3,379,767)	(11,191)	(3,390,958)
		7,100,737		7,100,737
		$ 7,409,211		$ 7,409,211

NOTE 14 - FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between CGAAP and IFRS consolidated balance sheet as at February 28, 2011 is provided below:

February 28, 2011	Note	CGAAP	Effect of Transition to IFRS	IFRS
ASSETS				
CURRENT				
Cash		$ 36,259		$ 36,259
VAT recoverable		69,382		69,382
Prepaid expenses		6,657		6,657
		112,298		112,298
INTEREST IN RESOURCE PROPERTIES		7,739,220		7,739,220
PROPERTY AND EQUIPMENT		27,029		27,029
		$ 7,878,547		$ 7,878,547
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities		$ 344,853		$ 344,853
Due to related parties		210,063		210,063
Loans payable		86,000		86,000
		640,916		640,916
SHAREHOLDERS' EQUITY				
SHARE CAPITAL		10,229,869		10,229,869
RESERVES	b)	1,054,809	9,712	1,064,521
DEFICIT	b)	(4,047,047)	(9,712)	(4,056,759)
		7,237,631		7,237,631
		$ 7,878,547		$ 7,878,547

NOTE 14 - FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between CGAAP and IFRS consolidated balance sheet as at May 31, 2011 (date of transition to IFRS) is provided below:

May 31, 2011	Note	CGAAP	Effect of Transition to IFRS	IFRS
ASSETS				
CURRENT				
Cash		$ 558,766		$ 558,766
VAT recoverable		91,880		91,880
Prepaid expenses		17,704		17,704
Loan receivable from related party		255,000		255,000
		923,350		923,350
INTEREST IN RESOURCE PROPERTIES (Note 3)		8,142,698		8,142,698
PROPERTY AND EQUIPMENT		25,384		25,384
		$ 9,091,432		$ 9,091,432
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities		$ 113,831		$ 113,831
Due to related parties		150,385		150,385
Loans payable		-		-
		264,216		264,216
SHAREHOLDERS' EQUITY				
SHARE CAPITAL		11,999,751		11,999,751
SUBSCRIPTIONS		60,000		60,000
RESERVES	b)	1,207,252	14,673	1,221,925
DEFICIT	b)	(4,439,787)	(14,673)	(4,454,460)
		8,827,216		8,827,216
		$ 9,091,432		$ 9,091,432

NOTE 14 - FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between CGAAP and IFRS loss and comprehensive loss for the three and nine month periods ended February 28, 2011, and the year ended May 31, 2011 is provided below:

Three Months Ended February 28, 2011

	Note	CGAAP	Effect of Transition to IFRS	IFRS
EXPENSES				
Amortization		$ 2,524		$ 2,524
Bank charges, finance fees and interest		24,838		24,838
Consulting fees	b)	30,137	914	31,051
Management and director fees	b)	48,750	(472)	48,278
Office and general	b)	17,555	(85)	17,470
Professional fees		71,497		71,497
Rent		10,511		10,511
Shareholder communications and investor relations		21,661		21,661
Transfer agent and filing fees		4,837		4,837
Travel		2,916		2,916
LOSS BEFORE OTHER ITEMS		(235,226)	(357)	(235,583)
FOREIGN CURRENCY GAIN (LOSS)		2,794		2,794
NET LOSS AND COMPREHENSIVE LOSS		(232,432)		(232,789)
DEFICIT, BEGINNING OF PERIOD	b)	(3,814,615)	(9,355)	(3,823,970)
DEFICIT, END OF PERIOD	b)	$ (4,047,047)	(9,712)	$ (4,056,759)
BASIC AND DILUTED LOSS PER SHARE		$ (0.00)		$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC AND DILUTED		47,471,308		47,471,308

NOTE 14 - FIRST TIME ADOPTION OF IFRS (continued)

Nine Months Ended February 28, 2011

	Note	CGAAP	Effect of Transition to IFRS	IFRS
EXPENSES				
Amortization		$ 5,745		$ 5,745
Bank charges, finance fees and interest		25,417		25,417
Consulting fees	b)	84,154	10,615	94,769
Management and director fees	b)	128,750	(9,843)	118,907
Office and general	b)	65,897	(2,251)	63,646
Professional fees		200,338		200,338
Rent		31,305		31,305
Shareholder communications and investor relations		79,558		79,558
Transfer agent and filing fees		22,184		22,184
Travel		26,027		26,027
LOSS BEFORE OTHER ITEMS		(669,375)	1,479	(667,896)
FOREIGN CURRENCY GAIN (LOSS)		2,095		2,095
NET LOSS AND COMPREHENSIVE LOSS		(667,280)		(665,801)
DEFICIT, BEGINNING OF PERIOD	b)	(3,379,767)	(11,191)	(3,390,958)
DEFICIT, END OF PERIOD	b)	$ (4,047,047)	(9,712)	$ (4,056,759)
BASIC AND DILUTED LOSS PER SHARE		$ (0.01)		$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC AND DILUTED		46,110,827		46,110,827

NOTE 14 - FIRST TIME ADOPTION OF IFRS (continued)

Year Ended May 31, 2011	Note	CGAAP	Effect of Transition to IFRS	IFRS
EXPENSES				
Amortization		$ 7,390		$ 7,390
Consulting fees	b)	119,754	15,575	135,329
Interest and finance fees		25,984		25,984
Management and director fees		275,247		275,247
Office and general	b)	84,326	(2,251)	82,075
Professional fees	b)	289,659	(9,843)	279,816
Rent		40,955		40,955
Shareholder communications and investor relations		125,265		125,265
Transfer agent and filing fees		37,609		37,609
Travel		48,586		48,586
LOSS BEFORE OTHER ITEMS		(1,054,775)	(3,482)	(1,058,256)
FOREIGN CURRENCY GAIN (LOSS)		(5,245)		(5,245)
INTEREST INCOME		-		-
NET LOSS AND COMPREHENSIVE LOSS		(1,060,020)	(3,482)	(1,063,501)
DEFICIT, BEGINNING OF YEAR	b)	(3,379,767)	(11,191)	(3,390,958)
DEFICIT, END OF YEAR	b)	$ (4,439,787)	(14,673)	$ (4,454,460)
BASIC AND DILUTED LOSS PER SHARE		$ (0.02)		$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING- BASIC AND DILUTED		47,572,012		47,572,012

There are no significant differences between IFRS and CGAAP in connection with the Company's statements of cash flows for the three and nine month periods ended February 28, 2011 or the year ended May 31, 2011.