This "Management's Discussion and Analysis" has been prepared as of September 28, 2015 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended May 31, 2015 and the audited consolidated financial statements and related notes thereto for the year ended May 31, 2014 (the "Financial Statements"). Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All amounts in the financial statements and in this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated.

FORWARD LOOKING INFORMATION

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. The Company's head office is located at Suite 1502 – 1166 Alberni Street, Vancouver, B.C., V6E 3Z3. The Company and its subsidiaries are engaged in the acquisition, exploration and development of mineral properties in Mexico with a primary focus on its Xochipala property in Guerrero State, Mexico.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "OCO", and it also trades on 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 Xochipala S.A. de C.A. ("Minera Xochipala"), Xochipala Gold, S.A. de C.V. ("Xochipala Gold") and 0973496 B.C. Ltd. Xochipala Gold is used to hold the Company's Mexican mining concessions and to conduct business in Mexico. The Company holds 100% of 0973496 B.C. Ltd. 0973496 B.C. Ltd. holds 99% (99 of 100 shares) in Xochipala Gold, with the remaining 1% (1 of 100 shares) being held directly by the Company. 0973496 B.C. Ltd. also holds 98% (49 of 50 shares) in Minera Xochipala, with the remaining 2% (1 share of 50) being held directly by the Company.

MINERAL PROPERTIES

Xochipala Property, Guerrero State, Mexico

The Xochipala Property, comprised of the Celia Gene (100 ha) and the contiguous Celia Generosa (93 ha) concessions, is located in the Municipality of Eduardo Neri, Guerrero, Mexico at the southern end of the Guerrero Gold Belt (the "GGB"). This region encompasses a northwest trend of intrusions with associated gold bearing iron skarn deposits. The GGB is currently the focus of aggressive exploration, delineation, development, and mining by a number of mining companies who have to date delineated gold reserves and measured and indicated resources in excess of 20 million ounces. The discovery of these deposits, beginning in the late 1980s, has led to the development of a predictable exploration model along the trend of the GGB.

The gold mineralization in each of these deposits is found in the contact (skarn) area between felsic to intermediate intrusives and the overlying calcareous sediments. Each of these deposits has a geophysical signature consisting of a strong high magnetic anomaly caused by iron mineralization in the endoskarn (skarn in the intrusive) and exoskarn (skarn in the sediments) in the contact zone between the intrusive and the overlying sediments. All of the major gold deposits in the GBB are hosted in extensive mineralized endoskarn and exoskarn zones associated with similar geological conditions. The Xochipala Property has geological characteristics similar to the known deposits, including the existence of a strong magnetic signature and areas of endoskarn and exoskarn.

The Xochipala Property, which is surrounded by concessions owned by Goldcorp Inc., lies approximately four kilometres southeast of Goldcorp.'s Los Filos mine, just one kilometre from the town of Xochipala and 30 kilometres by good paved road from the state capital of Chilpancingo. The area is well served by a network of local roads. The district is served with hydroelectric power from the Caracol Dam and water is locally available.

During 2014 the Company conducted an exploration program consisting of mapping; road cuts, outcrop chip sampling, and confirmed location of infrastructure, historic showings, and drill holes. The focus of the mapping and sampling program is the extensive areas of marbleized limestones (exoskarns) and highly altered, ferruginous intrusives (endoskarns) that have been identified on the property and which are indicative of potential mineralization in the vicinity of the two kilometres of identified contact zone. Preliminary mapping and assay results indicate that high grade gold mineralization exists at the Xochipala Property in the endoskarn and exoskarn. Subject to the availability of new funding, the Company intends to conduct a drilling program on the property once results are evaluated.

The Company incurred $40,597 in deferred exploration expenditures on the Xochipala Property during the year ended May 31, 2015.

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.

MINERAL PROPERTIES (cont'd…)

Salvador Property, Guerrero State, Mexico (cont'd…)

The Company did not conduct exploration on the Salvador Property during the year ended May 31, 2015.

Cerro Prieto Property, Sonora State, Mexico

On August 30, 2013 the Company sold its interest in the Cerro Prieto Property to Goldgroup Mining Inc. ("Goldgroup") by way of the sale of the Company's then wholly owned subsidiary, Minera Polimetalicos Mexicanos, S.A. ("Polimetalicos").

Pursuant to the terms of the transaction:

1. Goldgroup made payment of (all currency amounts in US dollars):
   - (i) $4,500,000;
   - (ii) $66,666 in reimbursement of interest accrued since June 28, 2013 on the Company's debentures then outstanding (the "Debentures);
   - (iii) 5,500,000 common shares in the capital of Goldgroup (the "Goldgroup Shares");
   - (iv) a promissory note (the "First Note") in the principal amount of $1,500,000 bearing 8% simple interest and payable in six equal monthly installments of $250,000 each, commencing on the later of either January 31, 2015 or the first day of the month following the date the Property achieves Commercial Production (with "Commercial Production" being any periods of production after 1,000 ounces of gold have been produced from the Property); and
   - (v) a second promissory note (the "Second Note") in the principal amount of $4,125,000, bearing no interest. The principal amount of the Second Note will be repayable on the second anniversary of the Transaction closing date. Goldgroup may elect to pay the principal of the Second Note by issuing and delivering to Oroco 16,500,000 Goldgroup common shares in lieu of cash.

2. In addition, Goldgroup agreed to pay to Oroco a production royalty (the "Production Royalty") quarterly in arrears. The Production Royalty, payable for each month in which the monthly average of the daily PM London gold fix is in excess of $1,250 per ounce, is calculated at the rate of 20% of the dollar value of that excess for each ounce of gold Produced from the Property during that month, to a maximum royalty of $90 per ounce. This Production Royalty will be payable for each and every of the greater of:
   - (i) the first 90,000 ounces of gold produced from the Property; and
   - (ii) all ounces of gold produced from the Property until the completion of five full years of Commercial Production.

Goldgroup also agreed to assume from Oroco all obligations with respect to the 2% (two percent) net smelter returns royalty payable pursuant to the terms and conditions of the Contract for the Sale and Purchase of Shares dated June 19, 2007 between Oroco and Ruben Rodriquez Villegas and Rosa Delia Salazar Parra.

MINERAL PROPERTIES (cont'd…)

Cerro Prieto Property, Sonora State, Mexico (cont'd…)

On February 4, 2013, as a condition precedent to the Transaction, Goldgroup purchased 5,000,000 units of the Company at a price of $0.20 per unit. Each unit consisted of one common share and one non-transferrable share purchase warrant with each warrant exercisable into one additional common share for a period of two years at a price of $0.25 per share.

On September 19, 2014, in support of a US$10 million loan facility agreement between Goldgroup and two lenders, RMB Resources Inc. ("RMB") and Credipresto SAPI de CV Sofom ENR, the Company entered into a subordination agreement (the "RMB Subordination Agreement") with Goldgroup and RMB with regard to the Production Royalty, the First Note and the Second Note remaining to be paid by Goldgroup pursuant to the terms and conditions of the Amended Agreement. Pursuant to the RMB Subordination Agreement, Goldgroup shall pay the production royalty and redeem the First Note in accordance with the terms of the Amended Agreement. However, Goldgroup may only redeem the Second Note with either: (a) cash proceeds from the sale of Goldgroup shares; or (b) 16,500,000 Goldgroup common shares in lieu of cash (as is Goldgroup's right pursuant to the terms of that promissory note). The terms of the Second Note have also been amended such that the Company shall have the right, in the event that Goldgroup does not redeem the promissory note on time, to demand payout by way of the 16,500,000 Goldgroup common shares in lieu of cash. However, other than with regard to the demand for payout of the Second Note with shares, the Company may only demand or enforce payment of any of the Goldgroup payment obligations after either the current credit facility has been repaid in full or RMB has granted its consent, which consent is not to be unreasonably withheld.

On September 19, 2014, Goldgroup settled the Loan Facility and the Company was released from the 2013 Subordination Agreement.

On September 19, 2014, the Company also entered into a debt assignment agreement with Goldgroup, pursuant to which the Company assigned to Goldgroup the Company's right to all refunds obtained by Minas de Oroco of value added tax paid prior to August 30, 2013 (the "IVA Refund"). In consideration of the assignment, Goldgroup paid the Company 1,200,000 common shares and it will pay 50% of all IVA Refund in excess of CDN$400,000, which amounts Goldgroup may elect to pay in Goldgroup shares valued at the five day, volume weighted trading average at the time. The Company will reimburse Goldgroup 60% of any amount less than CDN$400,000 of IVA Refund recovered by August 30, 2015, though the Company will remain entitled to recover that amount back from any future IVA recoveries.

On May 31, 2015, the Company agreed to amend the payment terms for the US$1,000,000 principal balance remaining due on the First Note. The Company took two promissory notes from Goldgroup in replacement of the First Note. The first promissory note, in the principal amount of US$250,000, is payable on demand. The second promissory note, in the principal amount of US$750,000, is payable on September 15, 2015. Both notes bear 8% interest, payable monthly in arrears.

MINERAL PROPERTIES (cont'd…)

Cerro Prieto Property, Sonora State, Mexico (cont'd…)

In August, 2015, the Company issued a demand on Goldgroup for payment of the Demand Note. Goldgroup paid US$50,000. Goldgroup also failed to payout the September Note on September 15, 2015.

On August 28, 2015, Goldgroup issued and delivered 16,500,000 of its shares to the Company in settlement of the Second Note.

On September 28, 2015, the Company and Goldgroup agreed to a revised payment schedule for the US$950,000 outstanding balance of Demand Note and the September Note. Pursuant to the agreement, Goldgroup will have until November 16, 2015 to enter into a formal debt payment agreement (the "Payment Agreement") with the Company, pursuant to which Goldgroup will pay the Company US$300,000 on signing and US$20,000 per month, commencing October 1, 2015 (payments due before signing of the formal agreement to accrue and be paid at signing), until September 15, 2016, with the balance of the remaining principal on or before that date. The outstanding principal will bear 12% interest, payable monthly in arrears. In the event that Goldgroup fails to pay all amounts by September 16, 2016, the Company has the option to demand that Goldgroup issue shares in lieu of cash.

If the Payment Agreement is not signed by November 16, 2015, or if Goldgroup fails to perform all of its obligations under the Payment Agreement, it will pay the Company a cash break fee equal to $100,000.

In a related transaction, the Company has also agreed to sell a total of 6,000,000 of its available for sale securities of Goldgroup (the "Shares"), at a price of $0.06 per share of which 3,000,000 shares are required to be sold by October 5, 2015. The Company has sold 2,400,000 shares for a value of $144,000. Subject to the closing of the Payment Agreement, the remaining 3,000,000 shares are available for sale until November 16, 2015.

RESULTS OF OPERATIONS

For the fiscal year ended May 31, 2015, the Company recorded income (loss) of $(1,961,415) (2014 - $1,683,013) or ($0.03) per share (2014 - $0.02). The Company has no income producing assets. The Company reported royalty revenues during the year from the Cerro Prieto Property. The Company is considered to be in the acquisition and exploration stage.

For the fiscal year ended May 31, 2015, the Company recorded income (loss) from continuing operations of $(1,961,415) (2014 - $1,706,938), which included consulting fees of $106,290 (2014 - $142,819), management and directors fees of $204,250 (2014 - $233,500), and professional fees of $323,859 (2014 - $335,934) in its defence against the claims of Sonoran Resources, LLC related to the termination of the construction management agreements with regard to the construction of a mine on the Cerro Prieto Property. The loss from continuing operations for the fiscal year ended May 31, 2015 was due in large part to loss of $1,650,000 (2014 – gain of $825,000) on the valuation of the Second Note receivable, which was offset slightly by interest income of $126,046 (2014 - $97,578), gain on sale of available for sale securities of $57,561 (2014 - $103,151) and royalty revenue of $10,931 (2014 – $26,973) and permanent impairment of available for sale assets of $227,288 (2014 - $Nil).

SELECTED ANNUAL INFORMATION

The following information is derived from the financial statements of the Company for each of the years ended May 31, 2015, May 31, 2014 and May 31, 2013:

	May 31, 2015 IFRS	May 31, 2014 IFRS	May 31, 2013 IFRS
Royalty revenue	$10,931	$26,973	$NIL
Interest income	$126,046	$97,578	$628
Operating income (loss)	$(1,961,415)	$1,720,381	$(2,653,055)
Net income (loss)	$(1,961,415)	$1,683,013	$(9,502,086)
Comprehensive income (loss) for the period	$(2,169,140)	$1,890,738	$(9,502,086)
Basic and diluted loss per share	$(0.03)	$0.02	$(0.13)
Total assets	$3,959,451	$6,228,283	$8,322,679
Total liabilities	$477,987	$577,679	$4,562,813

Revenue is from interest income payable on the First Note, gains on settlement of accounts payable and from the sale of available for sale securities (common shares of Goldgroup) and royalty revenue from production at Cerro Prieto. The significant reduction in the operating loss for 2015 is due to the Company's scaling back its operations after the sale of the Cerro Prieto Property at the end of the first quarter while it continued its legal action in defence of the Xochipala Property, pursued the acquisition of exploration data from the Xochipala Property, commenced the process of environmental permitting for the Xochipala Property and investigated acquisition opportunities for other properties. The significant reduction in Total Liabilities for the year ended May 31, 2014 is due to the payout of the Debentures.

The operating loss for the year ended May 31, 2013 is due to the impairment of exploration and evaluation assets recorded during the year.

The significant reduction in Total assets for the year ended 2015 in primarily due to a loss on the valuation of the Second Note receivable and the value of the available for sale securities.

SELECTED QUARTERLY RESULTS

Quarter	May 31 2015	Feb 28, 2015	Nov 30, 2014	Aug 31, 2014	May 31, 2014	Feb 28, 2014	Nov 30, 2013	Aug 31 2013*
Operating loss	$257,763	$52,704	$110,947	$165,460	$294,771	$180,731	$236,240	$351,795
Other items	$554,431	$362,635	$(55,398)	$512,873	$(2,689,451)	$(94,467)	$-	$-
DIT expense (recovery)	$-	$-	$-	$-	$13,443	$-	$-	$-
Loss (gain) for the period	$812,194	$415,339	$55,549	$678,333	$(2,357,312)	$86,264	$236,240	$351,795
Loss (gain) per share	0.01	$0.01	$0.00	$0.01	$0.01	$0.01	$0.01	$0.01
Total assets	3,959,451	$4,777,031	$5,312,766	$5,376,521	$6,228,283	$3,868,625	$3,237,443	$4,134,259
Total liabilities	477,987	$509,661	$559,519	$557,570	$577,679	$479,728	$505,612	$726,188

* prior quarterly results have not been restated to conform with the prior year reclassification of discontinued operations.

The most recent quarter had in increased loss from operations and, consequently, loss for the period, over the prior quarters primarily as a result of fluctuations in foreign exchange. The Company has typically recorded a significant gain on foreign exchange, however, in the most recent quarter a loss of $34,440 was recorded. As well, the Company incurred additional costs in the quarter for its AGM, travel and due diligence expense related to a potential acquisitions, and additional legal fees related to the Sonoran claim.

Significant variation in other items for the quarter ending May 31, 2015 are due to; settlement of accounts payable of $92,209 as a result of the Arizona court granting summary judgement in favour of the Company with regard to Sonoran's claims for employee severance costs; loss on the valuation of the Second Note receivable of $660,000; and recovery on the Cerro Prieto Property of $216,000. The recovery is a result of the Company's receipt of 1,200,000 shares of Goldgroup in relation to the assignment of the IVA Refund. There was a permanent impairment of available for sale assets of $227,288 (2014 – Nil) recorded in the quarter ended May 31, 2015.

The smaller loss in the more recent quarters is due to reduced operations as the Company pursued the acquisition of exploration data from the Xochipala Property, commenced the environmental permitting process and investigated acquisition opportunities for other properties. Other items in the current quarter are made up of interest receivable on the First Note receivable and the gain realized on the sale of available for sale assets.

Significant variation in other items for the quarter ending May 31, 2014 is due to; realization of a contingent gain of $1,664,550 recorded on the Second Note received pursuant to the sale of the Cerro Prieto Property; gain on the sale of available for sale assets of $85,202; interest income of $27,578; and royalty revenue of $20,455. The foregoing items all relate to various considerations received pursuant to the sale of the Cerro Prieto Property to Goldgroup.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2015, the Company had working capital of $2,881,024 as compared to the year ended May 31, 2014 when the Company had working capital of $1,068,233. Cash in the bank was $419,986 at May 31, 2015 ($130,322 - 2014).

The Company holds available for sale securities comprised of 20,125,000 shares of Goldgroup (the "Goldgroup Shares"). The Company has a debt receivable in the amount of US$950,000 from the overdue Demand Note and September Note issued by Goldgroup (the "Goldgroup Debt"), both of which are now in default. The Company expects to collect this outstanding debt and is currently in negotiations with Goldgroup with regard to payment.

OUTLOOK

The Company has as its main assets, the Xochipala Property and 20,125,000 shares of Goldgroup and the Goldgroup Debt.

The Production Royalty is contingent upon the number of ounces of gold produced at Cerro Prieto and upon the monthly average price of gold being above US$1,250 per ounce in the month the gold is produced. There is no certainty that the Company will receive any further Production Royalty payments. Payment of the Production Royalty is based on the average price of gold in the month in which it is produced.

The outlook for the Company is strongly tied to receiving payment of the Goldgroup Debt in a timely fashion and the market price of the Goldgroup Shares.

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.

TRANSACTIONS WITH RELATED PARTIES

During the fiscal year ended May 31, 2015, the Company entered into transactions with related parties as follows:

(a) paid or accrued consulting and directors fees totalling $119,750 to a company controlled by Craig Dalziel, President and CEO of the Company, and to Mr. Dalziel directly for Mr. Dalziel's services as President, CEO and director of the Company;

(b) paid or accrued professional and consulting fees totalling $139,500 to David Rose, Corporate Secretary of the Company, for legal and management consulting services provided to the Company;

(c) paid or accrued consulting and directors fees totalling $41,000 to a company controlled by Steve Vanry, Chief Financial Officer of the Company, and to Mr. Vanry directly, for his services as Chief Financial Officer and director;

(d) paid or accrued consulting fees and directors fees totalling $15,500 to Robert Friesen for Mr. Friesen's services as a geological consultant and director;

(e) paid or accrued directors fees totalling $7,000 to Stephen Leahy.

As at May 31, 2015, $229,128 was owing to officers and directors for directors, management, consulting, 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

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.

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.

RISKS AND UNCERTAINTIES (cont'd…)

The only sources 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 Goldgroup Transaction Consideration and the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another interested party to carry out further exploration or development.

(b) 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 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 ESITMATES

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

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

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

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

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

The Company has not recorded any deferred tax assets.

Valuation of First Note receivable and Second Note receivable / IVA - The value of the First Note receivable and the IVA are based on management's assessment of collectability and probability of recovery as disclosed in Note 5 and 6. The Second Note receivable is a note receivable with an embedded derivative and is valued based on the lesser of the net present value of cash inflows and the fair value consideration of shares in Goldgroup.

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

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

CHANGES IN ACCOUNTING POLICIES

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective June 1, 2014:

Effective for annual periods beginning on or after January 1, 2014:

IAS 32, Financial Instruments: Presentation

IAS 32 is amended to clarify requirements for offsetting of financial assets and financial liabilities.

The adoption of this standard did not have an impact on the consolidated financial statements.

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

The following standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning on or after January 1, 2015:

IFRS 7, Financial instruments: disclosures

This standard was amended to require additional disclosures on transition from IAS 39 and IFRS 9.

The application of this standard is not expected to have a significant impact on the consolidated financial statements.

The following standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning on or after January 1, 2016:

IFRS 11, Joint arrangements

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

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

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

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

IAS 27 was amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
IFRS 1 was amended to permit the use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter.

CHANGES IN ACCOUNTING POLICIES (cont'd…)

New standards, interpretations and amendments to existing standards not yet effective (cont'd…)

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

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

IFRS 9, Financial instruments

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

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

FINANCIAL INSTRUMENT RISK AND CAPITAL

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity. There has been no significant change in the Company's objectives, policies and processes for managing its capital during the year ended May 31, 2015.

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

Fair value hierarchy

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

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

FINANCIAL INSTRUMENT RISK AND CAPITAL (cont'd…)

Fair value hierarchy (cont'd…)

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

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

Management of Industry Risk

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

Management of Financial Risk

The carrying value of cash, receivables, notes receivable and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash and available for sale securities are measured at a level 1 of the fair value hierarchy. Second note receivable derivative is measured using level 3 of the fair value hierarchy as disclosed in Note 6 of the consolidated financial statements. 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 First Note receivable and 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.

FINANCIAL INSTRUMENT RISK AND CAPITAL (cont'd…)

Foreign Exchange Risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations, which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in derivatives to mitigate these risks. The effect of a 1% change in the foreign exchange rate on the cash held in foreign currencies at May 31, 2015 is nominal.

Interest Rate Risk

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

LEGAL ACTION AGAINST THE COMPANY

In March, 2014, Sonoran Resources LLC. and its Mexican subsidiary, SR Servicios Mineros, S.A. de C.V. (jointly, "Sonoran"), commenced an amended lawsuit in Arizona against Goldgroup Mining Inc. ("Goldgroup"), Oroco and Minas de Oroco arising from events and services related to the engineering, procurement and construction management agreement **("**EPCM Agreement**")** and related service agreements (the jointly, the **"**Sonoran Contracts") between Oroco, Minas de Oroco and Sonoran in regard to the mine construction at the Cerro Prieto Property.

In its claim, Sonoran alleges that Oroco (1) breached the Sonoran Contracts; (2) breached its duty of good faith under the Sonoran Contracts; and (3) made fraudulent and/or negligent misrepresentations which harmed Sonoran. Sonoran is seeking damages in an amount to be determined at trial, but claimed to be in excess of US$3,000,000, being the fees claimed to be payable to Sonoran pursuant to the Sonoran Contracts if they had been carried out, inclusive of a net amount of $177,066 in unpaid invoices, and 250,000 common shares of Oroco. The Company has denied all of Sonoran's claims and it is management's opinion that the Company has no liability to Sonoran.

Further, Sonoran has also claimed that Goldgroup breached the Sonoran Contracts, to which Goldgroup was not a party, and that it intentionally interfered with Sonoran's business expectations, causing the loss of at least US$3,000,000 of net profits from the fees claimed to be payable pursuant to the Sonoran Contracts if they had been carried out. As a part of the sale of the Cerro Prieto Property, Oroco agreed to indemnify and defend Goldgroup and Minas de Oroco against all claims brought by Sonoran arising from the events or services related to the Sonoran Contracts. It is the Company's opinion that the claims against Goldgroup are without merit.

LEGAL ACTION AGAINST THE COMPANY (cont'd…)

On April 17, 2015, the Arizona court (the "Court") granted summary judgement in favour of the Company, Minas de Oroco and Goldgroup (the "Defendants") with regard to Sonoran's claims for fraud and misrepresentation, punitive damages, employee severance costs and unspecified damages for alleged breaches of environmental permits. The court also ruled in favour of Goldgroup with regard to all claims against Goldgroup. As a result of this ruling, the remaining outstanding claims against the Company and Minas de Oroco are those for breach of contract relating to 250,000 performance bonus shares and certain invoices and for breach of good faith and fair dealing. The net amount of the disputed invoices, after deduction of a Sonoran credit invoice for double billing, is $101,000. The Company continues to oppose these claims, and in particular denies any breach of its obligations of good faith and fair dealing.

The Court also denied in its entirety Sonoran's concurrent motion for summary judgement on all of its claims.

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 September 28, 2015, the Company had 77,947,405 common shares, 400,000 incentive stock options, and no share purchase warrants outstanding.

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,

September 28, 2015

"*Craig Dalziel*"

President