

OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

FEBRUARY 28, 2019

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

OROCO RESOURCE CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

(Unaudited)

As at

	February 28, 2019	May 31, 2018
ASSETS		
Current		
Cash	\$ 419,002	\$ 938,804
Receivables	42,276	33,162
Prepaid expenses and advances	11,745	4,011
	473,023	975,977
Marketable securities (Note 4)	401,444	548,600
Investment in and advances to associated company (Note 4)	857,189	721,608
Deferred acquisition costs	29,559	9,759
Exploration and evaluation assets (Note 6)	1,177,408	681,547
Equipment (Note 7)	6,099	6,851
	\$ 2,944,722	\$ 2,944,342
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and accrued liabilities (Note 9)	\$ 387,634	\$ 296,859
Deferred tax liability	13,443	13,443
	401,077	310,302
Shareholders' equity		
Share capital (Note 8)	19,024,955	18,115,678
Reserves (Note 8)	2,576,518	2,392,571
Deficit	(19,057,828)	(17,874,209)
	2,543,645	2,634,040
	\$ 2,944,722	\$ 2,944,342

Nature of operations and going concern (Note 1)**Subsequent event** (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 condensed interim consolidated financial statements.

OROCO RESOURCE CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	For the Three Months Ended February 28, 2019	For the Three Months Ended February 28, 2018	For the Nine Months Ended February 28, 2019	For the Nine Months Ended February 28, 2018
Expenses				
Business development	\$ 16,650	\$ 16,125	\$ 50,850	\$ 43,761
Depreciation (Note 7)	251	308	752	924
Consulting fees (Note 9)	42,831	16,125	83,631	47,025
Foreign currency loss (gain)	577	15,565	(1,151)	80,394
Management and director fees (Note 9)	59,000	59,000	203,500	184,000
Office and general	25,293	30,391	78,296	80,290
Professional fees (Note 9)	61,133	69,694	212,075	192,490
Property investigation costs	-	59,949	2,057	323,853
Rent	20,427	19,527	60,073	55,427
Share-based payment (Notes 8 and 9)	139,486	7,205	331,103	144,059
Shareholder communications and investor relations	9,856	370	33,012	18,424
Transfer agent and filing fees	5,956	5,476	20,645	14,620
Travel	11,020	-	52,408	17,845
Operating loss	(392,480)	(299,735)	(1,127,251)	(1,203,112)
Equity loss in associated company (Note 4)	(11,161)	-	(56,638)	-
Gain on sale of available for sale securities	-	3,111	-	5,216
Royalty revenue	-	49,638	270	103,795
	(11,161)	52,749	(56,368)	109,011
Loss for the period	(403,641)	(246,986)	(1,183,619)	(1,094,101)
Unrealized gain (loss) on fair value of marketable securities (Note 4)	58,637	35,396	(147,156)	(227,019)
Loss and comprehensive loss for the period	\$ (345,004)	\$ (211,590)	\$ (1,330,775)	\$ (1,321,120)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	93,415,738	77,949,579	91,122,313	77,948,138

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

OROCO RESOURCE CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Reserves			
	Number	Amount	Other comprehensive income (loss)	Stock option and warrant	Deficit	Total
		\$	\$	\$	\$	\$
May 31, 2017	77,947,405	16,973,847	183,420	2,110,254	(16,496,968)	2,770,553
Shares issued for exploration and evaluation assets	2,000,000	240,000	-	-	-	240,000
Unrealized gain on fair value of marketable securities	-	-	(227,019)	-	-	(227,019)
Share-based payment	-	-	-	144,059	-	144,059
Loss for the period	-	-	-	-	(1,094,101)	(1,094,101)
February 28, 2018	79,947,405	17,213,847	(43,599)	2,254,313	(17,591,069)	1,833,492
May 31, 2018	89,147,405	18,115,678	103,031	2,289,540	(17,874,209)	2,634,040
Shares issued for cash	3,750,000	750,000	-	-	-	750,000
Share issue costs	-	(18,223)	-	-	-	(18,223)
Shares issued for exploration and evaluation assets	500,000	137,500	-	-	-	137,500
Shares issued for warrant exercise	250,000	40,000	-	-	-	40,000
Unrealized loss on fair value of marketable securities	-	-	(147,156)	-	-	(147,156)
Share-based payment	-	-	-	331,103	-	331,103
Loss for the period	-	-	-	-	(1,183,619)	(1,183,619)
February 28, 2019	93,647,405	19,024,955	(44,125)	2,620,643	(19,057,828)	2,543,645

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

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

	For the Nine Months Ended February 28, 2019	For the Nine Months Ended February 28, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,183,619)	\$ (1,094,101)
Adjusted for items not involving cash:		
Depreciation	752	924
Equity loss in associated company	56,638	-
Gain on sale of marketable securities	-	(5,216)
Accrued royalty income	(270)	(103,795)
Foreign exchange gain	(386)	(1,369)
Share-based payment	331,103	144,059
Changes in working capital items:		
Receivables	(10,240)	(4,827)
Prepaid expenses and advances	(7,734)	920
Trade payables and accrued liabilities	20,580	79,564
Net cash used in operating activities	(793,176)	(983,841)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(288,166)	(79,450)
Deferred acquisition costs	(19,800)	-
Proceeds on sale of marketable securities	-	51,976
Acquisition of marketable securities	-	(22,280)
Royalty revenue	1,782	37,487
Advances to associated company	(192,219)	(95,608)
Net cash used in investing activities	(498,403)	(107,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	790,000	-
Share issue cost	(18,223)	-
Net cash provided by financing activities	771,777	-
Change in cash	(519,802)	(1,091,716)
Cash, beginning of period	938,804	1,373,872
Cash, end of period	\$ 419,002	\$ 282,156

Supplemental cash flow information (Note 11)

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

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

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 and exploring exploration and evaluation assets in Mexico. The Company is listed on the TSX Venture Exchange (the "TSX-V").

The Company's head office and principal address is located at #1201 - 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

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

The Company's exploration and evaluation assets consist of the Xochipala, Santo Tomas, and Salvador properties in Mexico. The outlook for the Company is tied to realizing on the value of its exploration and evaluation assets and marketable securities, raising the financing necessary to maintain operations thereafter, and ultimately on generating future profitable operations. These uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"s). They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2018, prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized by the Audit Committee and Board of Directors of the Company on April 29, 2019.

Basis of presentation

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

Functional and presentation currency

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

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2019

2. BASIS OF PRESENTATION (cont'd...)**Basis of consolidation**

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

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

The Company also holds an inactive, nominal company incorporated in Canada.

The Company holds a 13.0% interest in Altamura Copper Corp. ("Altamura") which is accounted for as an equity investment.

Significant estimates

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

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

Share-based payment - 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.

Valuation of marketable securities - The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

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.

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2019

2. BASIS OF PRESENTATION (cont'd...)

Significant estimates (cont'd...)

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

Significant judgments

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

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

Classification of investments as subsidiaries, joint ventures, associated company and portfolio investments - Classification of investments requires judgement as to whether the Company controls, has joint control of or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds or has the ability to hold 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. The Company accounts for its 13.0% interest in Altamura as an equity investment as the Company has the ability to convert its advances into an increased interest in Altamura.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended May 31, 2018, except as noted below.

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective June 1, 2018:

IFRS 9, Financial instruments

The Company retrospectively adopted IFRS 9, "Financial Instruments". IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, "Financial Instruments: Recognition and Measurement". Prior periods were not restated and there was no material impact to the Company's condensed interim consolidated financial statements as a result of transitioning to IFRS 9.

OROCO RESOURCE CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting policies adopted (cont'd...)

IFRS 9, Financial instruments (cont'd...)

The adoption of IFRS 9 has not had a significant effect on the Company's accounting treatment related to financial liabilities and financial assets. The impact of IFRS 9 on the classification and measurement of financial assets and financial liabilities is set out below.

Classification and measurement of financial assets and liabilities

Under IFRS 9, financial assets, on initial recognition, are recognized at fair value and subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The classification of financial assets depends on the purpose for which the financial assets were acquired. The Company's financial assets which consist of cash and receivables are classified as amortized cost. Financial assets are classified as current assets or non-current assets based on their maturity date. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. Marketable securities are classified as FVOCI.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, and, as such, the Company's accounting policy with respect to financial liabilities is substantially unchanged. The Company's financial liabilities which consist of trade payables and accrued liabilities are classified as amortized cost.

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets given the nature of the items and that receivables are substantially all current and there is a minimal level of default.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

There was no impact on the condensed interim consolidated financial statements as a result of adopting this standard.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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, 2019:

IFRS 16, Leases

This standard sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. It eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The Company is currently evaluating the impact this standard is expected to have on the Company's consolidated financial statements.

4. INVESTMENTS AND ADVANCE

(a) Marketable Securities

During the nine months ended February 28, 2019, the Company sold Nil (2018 - 752,000) Goldgroup Mining Inc. ("Goldgroup") shares resulting in a gain on sale of \$Nil (2018 - \$5,216). As at February 28, 2019, the remaining 5,601,250 (May 31, 2018 - 5,601,250) shares had a fair value of \$308,069 (May 31, 2018 - \$448,100), resulting in other comprehensive loss of \$140,031 (2018 - \$225,364).

The Company owns 375,000 common shares, at a cost of \$75,000, in a private British Columbia company ("BC Co."), related by virtue of a common director, which provides satellite based, geological services to the mining and other industries, which services are able to identify, model and monitor subsurface geological structures.

As at February 28, 2019, the Company owned 5,950,000 common shares (representing a 13.0% ownership), at a cost of \$451,073, in Altamura, a company related by virtue of a director and officer of the Company and a member of the Company's management collectively having significant influence in Altamura (Note 9).

The Company owns 75,000 common shares of a publicly traded company ("Pub Co."). As at February 28, 2019, the shares had a fair value of \$18,375 (May 31, 2018 - \$25,500), resulting in other comprehensive loss of \$7,125 (2018 - \$1,655).

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2019

4. INVESTMENTS AND ADVANCE (cont'd...)**(a) Marketable Securities (cont'd...)**

	Goldgroup		Altamura		BC Co.	
	Number	Amount	Number	Amount	Number	Amount
May 31, 2017	6,593,250	\$ 593,393	5,950,000	\$ 451,073	375,000	\$ 75,000
Additions	-	-	-	-	-	-
Disposals	(992,000)	(61,684)	-	-	-	-
Transfer to equity investment	-	-	-	(451,073)	-	-
Fair value adjustment	-	(83,609)	-	-	-	-
May 31, 2018	5,601,250	448,100	5,950,000	-	375,000	75,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Fair value adjustment	-	(140,031)	-	-	-	-
February 28, 2019	5,601,250	\$ 308,069	5,950,000	\$ -	375,000	\$ 75,000

	Pub Co.		Total Amount
	Number	Amount	
May 31, 2017	-	\$ -	\$ 1,119,466
Additions	75,000	22,280	22,280
Disposals	-	-	(61,684)
Transfer to equity investment	-	-	(451,073)
Fair value adjustment	-	3,220	(80,389)
May 31, 2018	75,000	25,500	548,600
Additions	-	-	-
Disposals	-	-	-
Fair value adjustment	-	(7,125)	(147,156)
February 28, 2019	75,000	\$ 18,375	\$ 401,444

(b) Equity Investment and Advance

During the nine months ended February 28, 2019, the Company advanced to and/or paid on behalf of Altamura \$192,219 and received \$Nil, for total outstanding advances of \$481,622 (May 31, 2018 - \$289,403) (the "Advances"). The Company has entered into three agreements with Altamura dated effective September 27, 2018: (1) an option agreement (the "Altamura Option Agreement") pursuant to which the Company acquired a three year option (the "Option"), the exercise of which is subject to TSX-V and shareholder approval, to acquire all of the equity in Altamura not already held by the Company, in consideration for 39,800,000 shares of the Company (Note 9); (2) a loan agreement (the "Altamura Loan Agreement") pursuant to which the Company agreed to lend up to US\$600,000 to Altamura, inclusive of Advances to date, and (3) an amended and restated share option agreement (the "Advances Conversion Agreement") pursuant to which, in the event that the Company does not exercise the Option, the Company may convert all Advances to Altamura into common shares of Altamura at a price of US\$0.057 per share at any time within the first six months after the expiry of the Option. As the conversion of the Advances into equity of Altamura would result in the Company holding an equity position in Altamura sufficient to give it significant influence, but not control, the investment into Altamura has been accounted for as an equity investment.

OROCO RESOURCE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2019

4. INVESTMENTS AND ADVANCE (cont'd...)**(b) Equity Investment and Advance (cont'd...)**

Information on the equity investment is as follows:

As at February 28, 2019, the Company's investment in Altamura, including dilution gains, less its share of Altamura's accumulated losses was \$375,567 (May 31, 2018 - \$432,205). The Company's share of the loss for the nine months ended February 28, 2019 was \$56,638 (2018 - \$Nil). The Company does not control operational decisions and the Company's judgment is that it has significant influence, but not control and accordingly equity accounting is appropriate.

As at February 28, 2019, Altamura's aggregate assets, aggregate liabilities and loss for the period then ended are as follows:

	Altamura
Aggregate assets	\$ 212,684
Aggregate liabilities	641,393
Loss for the nine months ended February 28, 2019	435,679
The Company's ownership percentage	13.0%
The Company's share of the loss	56,638

A reconciliation of the equity balance and advances is as follows:

	Altamura
Equity investment	
May 31, 2018	\$ 432,205
Additions	-
Loss for the period	(56,638)
Total equity investment as at February 28, 2019	375,567
Advances	
May 31, 2018	289,403
Additions	192,219
Total advances as at February 28, 2019	481,622
Total equity investment and advances as at February 28, 2019	\$ 857,189

5. CERRO PRIETO ROYALTY

Pursuant to the sale of the Company's interest in the Cerro Prieto Property to Goldgroup in fiscal 2013, Goldgroup agreed to pay to the Company a production royalty (the "Production Royalty") quarterly in arrears. The Production Royalty, payable for each month in which the monthly average of the daily PM London gold fix is in excess of US\$1,250 per ounce, is calculated at the rate of 20% of the dollar value of that excess for each ounce of gold produced from the property during that month, to a maximum royalty of US\$90 per ounce. This Production Royalty will be payable for each and every ounce of the greater of:

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(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended February 28, 2019

5. CERRO PRIETO ROYALTY (cont'd...)

- i) the first 90,000 ounces of gold produced from the Property; and
- ii) all ounces of gold produced from the Property until the completion of five full years of commercial production, which period commenced on March 1, 2014.

During the nine months ended February 28, 2019, the Company accrued or received \$270 (2018 - \$103,795) in royalty revenue.

6. EXPLORATION AND EVALUATION ASSETS

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2018	\$ 347,793	\$ 333,754	\$ 681,547
Acquisition costs			
Cash	-	-	-
Shares issued	-	-	-
Deferred exploration expenditures			
Geologists	462,184	27,263	489,447
Lease payments, assessment fees and taxes	-	6,414	6,414
	462,184	33,677	495,861
February 28, 2019	\$ 809,977	\$ 367,431	\$ 1,177,408
	Santo Tomas Properties	Xochipala Property	Total
May 31, 2017	\$ -	\$ 292,329	\$ 292,329
Acquisition costs			
Cash	47,247	-	47,247
Shares issued	240,000	-	240,000
	287,247	-	287,247
Deferred exploration expenditures			
Geologists	39,453	35,708	75,161
Lease payments, assessment fees and taxes	21,093	5,717	26,810
	60,546	41,425	101,971
May 31, 2018	\$ 347,793	\$ 333,754	\$ 681,547

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(Unaudited)

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6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

(a) Xochipala Property Guerrero State, Mexico

The Xochipala Property, located in Guerrero State, Mexico, is comprised of the contiguous Celia Gene and Celia Generosa concessions. Minera Xochipala acquired the Xochipala Property in 2007.

(b) Salvador Property, Guerrero State, Mexico

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

(c) Santo Tomas Properties, Sinaloa State, Mexico

The Company holds a 77.5% interest in each of the Papago 17, La China II and AMP Santo Tomas Red 1 concessions (collectively, the "Santo Tomas Properties") which are contiguous to the concessions which cover the known core of the Santo Tomas mineralized structure (the "Core Concessions"). The Santo Tomas Properties were acquired for a total cash payment of \$47,247 and the issuance of 2,000,000 common shares, valued at \$240,000.

The AMP Santo Tomas Red 1 and La China II concessions had previously been cancelled for reason of failure to pay tax arrears. The vendor has filed appeals of the cancellations based on not being properly served with notices of deficiencies and cancellation. The appeal of the cancellation of the AMP Santo Tomas Red 1 concession was successful and the concession has been reinstated to good standing. No decision has been made yet on the appeal of the cancellation of the La China II concession.

All three concessions of the Santo Tomas Property are subject to a 2% net smelter royalty ("NSR").

Altamura holds an un-registered, contractual interest in the Core Concessions. The registration of this interest is impeded by a 2016 judgment (the "Judgment") of the Thirteenth Civil Court of Mexico City from a claim by Aztec Copper Corp. ("Aztec") and its Mexican subsidiary, Prime Aztec Mexicana, S.A. de C.V., against the vendor of the interest, Compania Minera Ruero, S.A. de C.V. ("CMR"), Fierce Investments Ltd. ("Fierce"), and Ruero International Ltd. ("Ruero"). Altamura also holds an indirect 50% interest in CMR and an option to acquire, for US\$16,000,000, all of the direct and indirect interest that the holder of the other 50% of CMR has in the Core Concessions, wherever that ownership interest resides (the "CMR Option"), subject to a 1% NSR (the "CMR Option NSR"), 0.5% of which may be bought back for US\$2,000,000. Altamura's interest in the Core Concessions is subject to an NSR of 1.5%, in favour of ATM Mining Corp., a company owned by the spouse of the Company's president, Craig Dalziel, and an arm's-length third party (the "Altamura NSR"). 0.5% of the Altamura NSR will be cancelled if the CMR Option NSR is granted, with the result that the Core Concessions will, upon the buy-back of half of the CMR Option NSR, be subject to a maximum 1.5% NSR.

Subsequent to February 28, 2019, Altamura has also acquired an exclusive option (the "Aztec Share Option") to purchase 40,000,000 common shares (the "Aztec Shares") of Aztec held by Fierce at any time within the next three years. The Aztec Shares constitute the primary consideration paid by Aztec in the transaction which was the basis of the claim that resulted in the Judgment. The Aztec Shares are expected to represent approximately 82% of the currently issued and outstanding equity of Aztec. Fierce is currently taking legal action in Arizona, the jurisdiction of Aztec's incorporation and residence, to secure its ownership rights in the Aztec Shares.

OROCO RESOURCE CORP.

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6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

(c) Santo Tomas Properties, Sinaloa State, Mexico (cont'd...)

Altamura has certain contingency fee obligations (the “Contingency Fee Agreements”) related to the Core Concessions as follows:

- a) \$600,000 payable within six months of title to the Santo Tomas Property is registered in the Mexican Public Registry of Mining; and
- b) upon the direct or indirect sale, assignment or transfer of the Santo Tomas Property in a transaction intended to be final disposition of the Santo Tomas Property:
 - (i) 10% of the sale price, to a maximum of \$3,600,000, (inclusive of the first \$600,000); and
 - (ii) 1.5% of the sale price, to a maximum of \$4,100,000, of which up to \$1,000,000 is payable to David Rose, an officer of the Company and shareholder of Altamura.

During the nine months ended February 28, 2019, the Company entered into a purchase agreement pursuant to which the Company acquired geological data, analysis and models related to the Santo Tomas Properties and the Core Properties in consideration for 500,000 common shares, valued at \$137,500, (Note 8) and US\$500,000, to be paid by way of three payments of US\$50,000 each and a final payment of US\$350,000. The second and third \$50,000 payments and the \$350,000 payment are contingent upon Xochipala Gold obtaining registered title to the Core Concessions, and are due over a period of no more than three years from that event.

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7. EQUIPMENT

	Automotive equipment	Computer equipment	Leaseholds	Office furniture	Total
Cost					
May 31, 2017	\$ 15,948	\$ 23,110	\$ 10,017	\$ 3,070	\$ 52,145
Additions	-	-	-	-	-
May 31, 2018	15,948	23,110	10,017	3,070	52,145
Additions	-	-	-	-	-
February 28, 2019	\$ 15,948	\$ 23,110	\$ 10,017	\$ 3,070	\$ 52,145
Depreciation					
May 31, 2017	\$ 10,945	\$ 21,943	\$ 8,505	\$ 2,669	\$ 44,062
Charge for the year	500	350	302	80	1,232
May 31, 2018	11,445	22,293	8,807	2,749	45,294
Charge for the period	338	184	182	48	752
February 28, 2019	\$ 11,783	\$ 22,477	\$ 8,989	\$ 2,797	\$ 46,046
Net book value					
May 31, 2018	\$ 4,503	\$ 817	\$ 1,210	\$ 321	\$ 6,851
February 28, 2019	\$ 4,165	\$ 633	\$ 1,028	\$ 273	\$ 6,099

8. SHARE CAPITAL AND RESERVES**Authorized**

An unlimited number of common shares without par value.

Issued share capital

During the nine months ended February 28, 2019, the Company issued:

- i. 3,750,000 units at a price of \$0.20 per unit by way of a private placement for total proceeds of \$750,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of \$0.32 per common share, for a period of 18 months from the date of issue. The Company paid a total of \$18,223 in cash for fees;
- ii. 500,000 common shares, valued at \$137,500, pursuant to the purchase agreement in which the Company acquired geological data, analysis and models related to the Santo Tomas Properties (Note 6(c)); and
- iii. 250,000 common shares, pursuant to the exercise of warrants, for proceeds of \$40,000.

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8. SHARE CAPITAL AND RESERVES (cont'd...)**Issued share capital (cont'd...)**

During the nine months ended February 28, 2018, the Company issued 2,000,000 common shares, valued at \$240,000, pursuant to the acquisition of the Santo Tomas Property (Note 6(c)).

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, outstanding as at May 31, 2017	-	\$ -
Issued	4,500,000	0.16
Balance, outstanding as at May 31, 2018	4,500,000	0.16
Issued	1,875,000	0.32
Exercised	(250,000)	0.16
Balance, outstanding as at February 28, 2019	6,125,000	\$ 0.21

Warrants outstanding as at February 28, 2019 are as follows:

Number of warrants	Exercise price	Weighted average remaining life (years)	Expiry date
4,250,000	\$ 0.16	0.66	October 26, 2019
1,875,000	0.32	1.18	May 3, 2020
6,125,000			

Stock options

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

During the nine months ended February 28, 2019, a total of 2,550,000 (2018 - 4,900,000) stock options were granted to certain officers, directors, and consultants of the Company with a fair value of \$450,028 (2018 - \$149,976) using the Black-Scholes option pricing model. During the nine months ended February 28, 2019, the Company recognized \$331,103 (2018 - \$144,059) as share-based payment for the fair value of the stock options.

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8. SHARE CAPITAL AND RESERVES (cont'd...)**Stock options (cont'd...)**

The fair value of options granted was estimated on the grant date using the Black-Scholes option pricing model with weighted average assumptions as follows:

	For the Nine Months Ended February 28, 2019	For the Nine Months Ended February 28, 2018
Risk-free interest rate	2.15%	1.32%
Expected option life in years	3.0 years	3.0
Expected stock price volatility	141%	147%
Expected forfeiture rate	0%	0%

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, outstanding as at May 31, 2017	-	\$ -
Granted	4,900,000	0.075
Exercised	(200,000)	0.075
Balance, outstanding as at May 31, 2018	4,700,000	0.075
Granted	2,550,000	0.221
Balance, outstanding as at February 28, 2019	7,250,000	\$ 0.126
Balance, exercisable as at February 28, 2019	5,850,000	\$ 0.103

Options outstanding as at February 28, 2019 are as follows:

Number of options	Number of exercisable options	Exercise price	Weighted average remaining life (years)	Expiry date
3,550,000	3,550,000	\$ 0.075	1.45	August 11, 2020
150,000	150,000	0.075	1.56	September 18, 2020
500,000	500,000	0.075	1.56	September 18, 2020
500,000	500,000	0.075	1.65	October 24, 2020
750,000	450,000	0.200	2.34	July 2, 2021
1,500,000	600,000	0.225	2.65	October 24, 2021
300,000	100,000	0.250	2.91	January 24, 2022
7,250,000	5,850,000			

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8. SHARE CAPITAL AND RESERVES (cont'd...)**Reserves**

As at February 28, 2019, the Company had a Stock Option and Warrant Reserve balance of \$2,620,643 (May 31, 2018 - \$2,289,540) consisting of warrant valuations associated with warrants issued in connection with various private placements and share-based compensation associated with stock option grants to employees, consultants, directors and officers.

As at February 28, 2019, the Company had an Other Comprehensive Income (Loss) balance of \$(44,125) (May 31, 2018 - \$103,031).

9. RELATED PARTY TRANSACTIONS

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

	For the Nine Months Ended February 28, 2019	For the Nine Months Ended February 28, 2018
Management and director fees	\$ 203,500	\$ 184,000
Consulting	16,200	16,200
Professional fees	76,500	76,500
Share-based payment	-	67,543
Total	\$ 296,200	\$ 344,243

As at February 28, 2019 included in accounts payable and accrued liabilities was \$256,164 (May 31, 2018 - \$215,151) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

Pursuant to the terms of the Altamura Option Agreement (Notes 4 and 6), the Company will issue 39,800,000 shares to the shareholders of Altamura. 8,302,000 shares will be issued to a company controlled by the spouse of a director and officer, 9,506,000 shares will be issued to a company controlled by family members of a director and officer and 8,302,000 shares will be issued to an officer of the Company.

During the nine months ended February 28, 2019, the Company also entered into the Altamura Loan Agreement and the Advances Conversion Agreement with Altamura, which is a related party by virtue of a company controlled by the spouse of a director and an officer of the Company, a company controlled by family members of a director and officer of the Company and a member of the Company's management being significant shareholders of Altamura (Note 4).

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10. SEGMENTED INFORMATION

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

As at February 28, 2019

	Canada	Mexico	Total
Equipment	\$ 1,933	\$ 4,166	\$ 6,099
Exploration and evaluation assets	-	1,177,408	1,177,408
Other assets	1,739,213	22,002	1,761,215
Total assets	\$ 1,741,146	\$ 1,203,576	\$ 2,944,722

As at May 31, 2018

	Canada	Mexico	Total
Equipment	\$ 2,348	\$ 4,503	\$ 6,851
Exploration and evaluation assets	-	681,547	681,547
Other assets	2,244,559	11,385	2,255,944
Total assets	\$ 2,246,907	\$ 697,435	\$ 2,944,342

11. SUPPLEMENTAL CASH FLOW INFORMATION

	For the Nine Months Ended February 28, 2019	For the Nine Months Ended February 28, 2018
Interest paid	\$ -	\$ -
Taxes paid	-	-
Non-cash transactions not included in investing or financing activities		
Exploration and evaluation assets included in accounts payable	\$ 73,289	\$ 2,970
Shares issued for exploration and evaluation assets	137,500	240,000
Unrealized loss on fair value of marketable securities	147,156	227,019

12. FINANCIAL INSTRUMENT RISK AND CAPITAL

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity. There has been no significant change in the Company's objectives, policies and processes for managing its capital during the nine months ended February 28, 2019.

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

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

Fair value hierarchy

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

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

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

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

Credit Risk

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

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12. FINANCIAL INSTRUMENT RISK AND CAPITAL (cont'd...)**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 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 is exposed to liquidity risk.

Foreign Exchange Risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations, which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in derivatives to mitigate these risks. The effect of a 1% change in the foreign exchange rate on the cash held in foreign currencies at February 28, 2019 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.

13. SUBSEQUENT EVENT

Subsequent to February 28, 2019, the Company issued 3,200,000 units at a price of \$0.25 per unit by way of a private placement for total proceeds of \$800,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of \$0.40 per common share, for a period of 18 months from the date of issue.