OROCO RESOURCE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

FEBRUARY 28, 2015

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

OROCO RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
As at

	February 28, 2015	May 31, 2014
ASSETS		
Current		
Cash	$ 293,479	$ 130,322
Receivables	15,027	130,174
Prepaid expenses	1,764	13,598
First note receivable (Notes 5 and 6)	1,562,875	1,358,375
	1,873,145	1,632,469
Available for sale securities (Notes 5 and 7)	367,500	830,900
First note receivable (Notes 5 and 6)	-	271,675
Second note receivable (Notes 5 and 6)	2,310,000	3,300,000
Exploration and evaluation assets (Note 4)	214,226	179,240
Equipment (Note 8)	12,160	13,999
	$ 4,777,031	$ 6,228,283
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and accrued liabilities	$ 496,218	$ 564,236
Deferred tax liability	13,443	13,443
	509,661	577,679
Shareholders' equity		
Share capital (Note 10)	16,973,847	16,973,847
Reserves (Note 10)	2,083,966	2,317,979
Deficit	(14,790,443)	(13,641,222)
	4,267,370	5,650,604
	$ 4,777,031	$ 6,228,283

Nature of operations and going concern (Note 1)
Contingency (Note 15)
Subsequent event (Note 16)

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, 2015	For the Three Months Ended February 28, 2014	For the Nine Months Ended February 28, 2015	For the Nine Months Ended February 28, 2014
Expenses				
Depreciation	$ 613	$ 789	$ 1,839	$ 2,365
Consulting fees	28,750	24,000	80,040	92,260
Finance fees and interest (Notes 6 and 9)	-	197	-	30,582
Foreign currency (gain) loss	(161,150)	5,673	(255,325)	15,812
Management and director fees	51,000	60,000	148,000	198,500
Office and general	23,396	25,036	75,682	93,515
Professional fees	97,338	55,383	229,271	251,472
Rent	8,877	-	28,543	22,886
Shareholder communications and investor relations	1,273	1,312	1,991	11,888
Transfer agent and filing fees	2,607	7,145	9,567	22,436
Travel	-	1,196	9,503	3,126
Operating loss	(52,704)	(180,731)	(329,111)	(744,841)
Interest income (Note 6)	34,366	70,000	100,396	70,000
Gain on sale of available for sale securities (Note 7)	15,375	17,949	57,571	17,949
Loss on valuation of second note receivable (Note 6)	(412,500)	-	(990,000)	-
Royalty revenue	124	6,518	11,923	6,518
	(362,635)	94,467	(820,110)	94,467
Loss before discontinued operations	(415,339)	(86,264)	(1,149,221)	(650,374)
Loss from discontinued operations				
From operations (Note 5)	-	-	-	(9,604)
From disposal (Note 5)	-	-	-	(14,321)
	-	-	-	(23,925)
Loss for the period	(415,339)	(86,264)	(1,149,221)	(674,299)
Gain (loss) on fair value of available for sale securities (Note 7)	(70,538)	743,330	(234,013)	303,330
Comprehensive income (loss) for the period	$ (485,877)	$ 657,066	$ (1,383,234)	$ (370,969)
Basic and Diluted Income (Loss) per Common Shares	$ (0.01)	$ 0.01	$ (0.02)	$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	77,947,405	77,947,405	77,947,405	77,947,405

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		Reserve				
	Number	Amount	Other comprehensive income (loss)	Stock option and warrant	Equity component of convertible debt	Deficit	Total
		$	$	$	$	$	$
May 31, 2013	77,947,405	16,973,847	-	2,110,254	516,608	(15,840,843)	3,759,866
Gain on fair value of available for sale securities	-	-	303,330	-	-	-	303,330
Loss for the period	-	-	-	-	-	(674,299)	(674,299)
February 28, 2014	77,947,405	16,973,847	303,330	2,110,254	516,608	(16,515,142)	3,388,897
May 31, 2014	77,947,405	16,973,847	207,725	2,110,254	-	(13,641,222)	5,650,604
Loss on fair value of available for sale securities	-	-	(234,013)	-	-	-	(234,013)
Loss for the period	-	-	-	-	-	(1,149,221)	(1,149,221)
February 28, 2015	77,947,405	16,973,847	(26,288)	2,110,254	-	(14,790,443)	4,267,370

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, 2015	For the Nine Months Ended February 28, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,149,221)	$ (674,299)
Adjusted for items not involving cash:		
Depreciation	1,839	2,365
Loss on disposal of discontinued operations	-	14,321
Gain on sale of available for sale securities	(57,571)	(17,949)
Loss on valuation of second note receivable	990,000	-
Accrued royalty income	(11,923)	(6,518)
Foreign exchange gain	(244,350)	-
Accrued interest income	(100,396)	(70,000)
Changes in working capital items:		
Receivables	67,438	59,241
Prepaid expenses	11,834	9,018
Trade payables and accrued liabilities	(70,401)	(333,085)
Net cash used in operating activities	(562,751)	(1,016,906)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(32,603)	(62,236)
Proceeds on disposal of discontinued operations	-	4,747,842
Royalty revenue	38,772	-
Interest income on first note receivable	121,256	-
First note receivable	311,525	-
Acquisition of available for sale securities	(413)	-
Proceeds on sale of available for sale securities	287,371	84,624
Net cash provided by investing activities	725,908	4,770,230
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of convertible debt	-	(3,750,000)
Cash flows used in financing activity	-	(3,750,000)
Increase in cash	163,157	3,324
Cash, beginning of period	130,322	59,477
Cash, end of period	$ 293,479	$ 62,801

Supplemental cash flow information (Note 13)

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

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, exploring and developing 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 #1502 – 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

The Company is in the exploration stage and has not yet determined whether these 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, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the mineral properties and upon future profitable production or proceeds from the disposition thereof.

These condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to the carrying values of assets and liabilities may be required. 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.

During the year ended May 31, 2014, the Company sold its Cerro Prieto Property ("the Transaction") to Goldgroup Mining Inc. ("Goldgroup") (Note 5). The Company's remaining exploration and evaluation assets consist of a property in Guerrero State (the "Xochipala Property") and a second property in Guerrero State (the "Salvador Property"). The outlook for the Company is tied to successfully collecting payment of the first note receivable and the second note receivable, realizing on the value of the Goldgroup shares it holds, 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.

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 IFRS 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, 2014, 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, 2015.

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.

2. BASIS OF PRESENTATION (cont'd…)

Functional and presentation currency

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

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
Minera Xochipala S.A. de C.V. ("Minera Xochipala")	Mexico	100%
Xochipala Gold, S.A. de C.V. ("Xochipala Gold")	Mexico	100%
0973496 B.C. Ltd.	Canada	100%

Significant estimates

The preparation of financial statements in accordance with IFRS 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.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates

Valuation of First Note receivable, Second Note receivable and Impuesto al Valor Agregado/value added tax ("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 Goldgroup shares.

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.

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 probably mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

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 - In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the parent Company as well as the Company's subsidiaries is the Canadian dollar.

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, 2014, 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, 2014:

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

- Amendments to 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 condensed interim consolidated financial statements.

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 yet effective:

Indefinitely postponed, with a proposed effective date of January 1, 2018:

- New standard IFRS 9, Financial Instruments

  Partial replacement of IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost, and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

The Company has not early adopted this revised standards and this standard is not expected to have a material effect on the financial statements.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Xochipala Property	Total
Balance at May 31, 2014	$ 179,240	$ 179,240
Deferred exploration expenditures:		
Geologists	22,279	22,279
IVA	7,444	7,444
Lease payments, assessment fees and taxes	5,263	5,263
	34,986	34,986
Balance at February 28, 2015	$ 214,226	$ 214,226

	Cerro Prieto Property	Xochipala Property	Total
Balance at May 31, 2013	$ 8,048,850	$ 119,132	$ 8,167,982
Acquisition costs			
Royalty payments	10,923	-	10,923
Deferred exploration expenditures:			
Geologists	-	40,025	40,025
IVA	2,390	15,047	17,437
Lease payment, assessment fees and taxes	-	4,600	4,600
Sampling	-	436	436
	2,390	60,108	62,498
Sale of property	(8,062,163)	-	(8,062,163)
Balance at May 31, 2014	$ -	$ 179,240	$ 179,240

4. 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 a 100% interest in the Xochipala Property in January, 2007, including the interest purchased from the estate of Carlos Adame Camacho (the "Adame Estate"), which constituted fifty percent (50%) of the Celia Gene concession and all (100%) of the Celia Generosa concession (collectively, the "Adame Interest").

(b) Salvador Property, Guerrero State, Mexico

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

(c) Cerro Prieto Property, Sonora State, Mexico

The Cerro Prieto Property, located in Sonora, Mexico, is comprised of the San Felix, San Francisco, Cerro Prieto "North", Argonauta 6, Elba, Reyna de Plata and Huerto De Oro mineral concessions.

On August 30, 2013, the Company sold its interest in the Cerro Prieto Property (Note 5).

5. DISCONTINUED OPERATIONS - SALE OF CERRO PRIETO PROPERTY

On August 30, 2013, the Company closed the Transaction with Goldgroup pursuant to an Amended and Restated Debt Assignment and Share Purchase Agreement (the "Amended Agreement"), effecting the sale of the Cerro Prieto Property by way of the sale of Polimetalicos and its subsidiary Minas de Oroco, the owner of the mineral concessions making up the Cerro Prieto Property.

Pursuant to the terms of the Amended Agreement, the following occurred on closing:

a) Goldgroup made payment of:

   i) $4,748,850 (US$4,500,000);

   ii) $66,666 in reimbursement of interest accrued on the Company's outstanding debentures since June 28, 2013;

   iii) 5,500,000 common shares in the capital of Goldgroup valued at $825,000;

   iv) a promissory note (the "First Note") in the principal amount of US$1,500,000 bearing 8% simple interest and payable in six equal monthly instalments of US$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 (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 US$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.

5. DISCONTINUED OPERATIONS - SALE OF CERRO PRIETO PROPERTY (cont'd...)

b) 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 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 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.

c) Minas de Oroco has, with the consent of Goldgroup, assigned to Oroco all of Minas de Oroco's rights and interest in and to all value added taxes paid by Minas de Oroco in the years 2008 through 2012, and all refunds in relation thereto (collectively, "the IVA Refund"), in consideration of the settlement of US$500,000 of the debt owed by Minas de Oroco to Oroco at the time of the IVA assignment. The IVA Refund at August 31, 2013 was $535,325. The Company has assigned a fair value of zero to the IVA Refund as collectability is uncertain.

Goldgroup also agreed to assume from Oroco all obligations with respect to the 2% Net Smelter Royalty on the property.

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. See Note 9.

On August 30, 2013, in furtherance of closing the Transaction, the Company entered into a subordination agreement (the "2013 Subordination Agreement) with Goldgroup and the agent for the holders of the Company's outstanding Debentures, who are also the lenders to Goldgroup of a $4,250,000 senior secured loan facility (the "Loan Facility). Pursuant to the Subordination Agreement, the Company will not accept any payment related to the First Note, the Second Note and the Production Royalty until after the Loan Facility has been repaid. However, if Goldgroup elects to pay the Second Note with 16,500,000 of its common shares in lieu of cash, the Company may accept those shares.

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 entered into a subordination agreement (the "Subordination Agreement") with Goldgroup and RMB Resources Inc. ("RMB") with regard to the production royalty, the US$1,500,000 interest bearing promissory note and the US$4,125,000 promissory note remaining to be paid by Goldgroup pursuant to the terms and conditions of the sale of the Cerro Prieto Property to Goldgroup on August 30, 2013 (the "MOR Sale Agreement"). Pursuant to the Subordination Agreement, Goldgroup shall pay the production royalty and redeem the US$1,500,000 promissory note in accordance with the terms of the MOR Sale Agreement. However, Goldgroup may only redeem the US$4,125,000 promissory 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 US$4,125,000 promissory 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 US$4,125,000 promissory 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.

(Expressed in Canadian Dollars)

5. DISCONTINUED OPERATIONS - SALE OF CERRO PRIETO PROPERTY (cont'd...)

The following table shows the fair value of the proceeds on the date of disposition:

Proceeds	Agreement Amount in US$	Fair Value Recorded CAN$
Cash	$ 4,500,000	$ 4,748,850
Shares (5,500,000)	-	825,000
First Note receivable	1,500,000	-
Second Note receivable	4,125,000	2,475,000
Production Royalty up to	8,100,000	-
		$ 8,048,850

The estimated Fair Value of Consideration received as at August 30, 2013 was determined as follows:

Cash – recorded at face value;

Goldgroup common shares – recorded at market value as at August 31, 2013 ($0.15 per share);

First Note – no value was attributed as this promissory note was considered to be a contingent asset under IAS37. Realization of the promissory note is dependent upon several uncertain future events not wholly within the control of the Company (see Note 6);

Second Note – the value of the Second Note was determined as the lesser of the present value of the note and the market value of Goldgroup shares at the time of the transaction, which may be issued to the Company at Goldgroup's election to settle the note, including an assessment of the likelihood that the note is settled with the issuance of Goldgroup shares. The present value of the note was calculated using a discount rate of 25%. The likelihood of Goldgroup settling the note by issuing shares in the future (at a fixed value of $0.25 per share) was projected by utilizing a stock price probability calculator employing an implied volatility of 67% (see Note 6);

Production Royalty – no value was attributed as the royalty was considered to be a contingent item under IAS37. Realization of the proceeds from the royalty is dependent upon several uncertain future events not wholly within the control of the Company.

The loss on the sale of the Cerro Prieto Property was as follows:

Total estimated fair value of consideration received	$ 8,048,850
Carrying value of assets sold	
Cash	1,008
Exploration and evaluation assets	8,062,163
	8,063,171
Loss on sale	$ (14,321)

(Expressed in Canadian Dollars)

5. DISCONTINUED OPERATIONS - SALE OF CERRO PRIETO PROPERTY (cont'd...)

The results of discontinued operations of Polimetalicos and Minas de Oroco to the date of disposition are as follows:

	For the Nine Months Ended February 28, 2014
Bank charges	$ 88
Professional fees	14,851
Foreign currency gain	(5,335)
	$ 9,604

6. NOTES RECEIVABLE

Pursuant to the sale of the Cerro Prieto Property, the Company received a contingent US$1,500,000 First Note and the US$4,125,000 Second Note (Note 5) which were valued on the date of sale as $Nil and $2,475,000 respectively. In February 2014, Goldgroup achieved production levels triggering realization of the contingent First Note receivable resulting in a gain of $1,664,550.

As at February 28, 2015 the estimated fair value of notes receivable was calculated as follows:

First Note – the value of the First Note receivable was recorded as the principal amount of the note and allocated $1,562,875 (US$1,250,000) (May 31, 2014 - $1,711,680 (US$1,500,000)) to current assets. Accrued interest receivable on the note of $10,688 (US$8,548) at February 28, 2015 was recorded together with the principal amount in current assets.

Second Note – the value of the Second Note was determined as the lesser of the present value of the note ($4,611,587) using a 25% discount rate, and the market value at February 28, 2015 ($0.14 per share) of 16,500,000 common shares of Goldgroup ($2,310,000), which Goldgroup may elect to issue to the Company in lieu of cash to settle the note.

7. AVAILABLE FOR SALE SECURITIES

Pursuant to the sale of the Cerro Prieto Property, the Company received 5,500,000 shares of Goldgroup (Note 5). During nine months ended February 28, 2015, the Company sold 1,532,000 of these shares resulting in a gain on sale of $57,571. As at February 28, 2015, the remaining shares had a fair value of $367,500 resulting in a loss on fair value of available for sale securities of $234,013.

(Expressed in Canadian Dollars)

8. EQUIPMENT

	Automotive equipment	Computer equipment	Leaseholds	Office furniture	Total
Cost:					
At May 31, 2013	$ 15,948	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Additions	-	-	-	-	-
At May 31, 2014	15,948	23,110	10,017	3,070	52,145
Additions	-	-	-	-	-
At February 28, 2015	$ 15,948	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Depreciation:					
At May 31, 2013	$ 8,321	$ 18,256	$ 6,324	$ 2,091	$ 34,992
Charge for the year	763	1,456	739	196	3,154
At May 31, 2014	9,084	19,712	7,063	2,287	38,146
Charge for the period	515	764	443	117	1,839
At February 28, 2015	$ 9,599	$ 20,476	$ 7,506	$ 2,404	$ 39,985
Net book value:					
At May 31, 2014	$ 6,864	$ 3,398	$ 2,954	$ 783	$ 13,999
At February 28, 2015	$ 6,349	$ 2,634	$ 2,511	$ 666	$ 12,160

9. CONVERTIBLE DEBENTURES

Balance May 31, 2013	$ 3,750,000
Paid out (August 31, 2013)	(3,750,000)
Balance May 31, 2014 and February 28, 2015	$ -

9. CONVERTIBLE DEBENTURES (cont'd...)

On May 2, 2012, per the indicative term sheet signed on April 13, 2012 between the Company and the US Investor (Note 2), the Company issued two debentures (the "Debentures"), in the aggregate amount of $3,750,000, to affiliates of the US Investor (the "Holders"). The Debentures had a term of two years and bore interest at a rate of 10% per annum payable semi-annually. The Holders were entitled to declared the principal amount due and payable if: (i) the first tranche of funds under the Gold Prepayment Agreement had not been drawn prior to November 1, 2012 (requiring the Company to first enter into the Gold Prepayment Agreement); (ii) the Company provided notice to the Holder that it would not complete the Gold Prepayment Agreement; or (iii) the Company completed one or more equity financings greater than $4,000,000 in the aggregate other than an equity offering intended to finance the balance of the capital necessary to construct the mine at the Cerro Prieto Property (an "Equity Offering"). In the event of any of (i) to (iii) above, the Company was also required to pay a break fee to the Holders in the total amount of $270,000 (the "Break Fee"). The Company did not draw the first tranche of funds under the Gold Prepayment Agreement prior to November 1, 2012 and it did not pay the interest due on the Debentures on October 30, 2012 and therefore the Break Fee clause was triggered. The Company received a notice of default from the Holders with regard to the failure to take the first tranche of funds under the Gold Prepayment Agreement and the outstanding interest due. The Company paid the Break Fee and the related interest during fiscal 2013. The Debentures were convertible into units at a price of $0.25 per unit, with each unit being comprised of one common share of the Company and one half of one share purchase warrant. Each whole warrant entitled the holder to purchase one 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 Company paid finders' fees of $56,250 in connection with the issuance of the debentures.

At issuance, the proceeds of the Debentures were allocated between the equity and liability components of the Debentures. This allocation was made by determining the estimated fair value of the liability component and applying the residual balance of the proceeds to the equity component. The fair value of the liability component was determined by estimating the fair value interest rate that would apply to comparable debt without the associated conversion feature. This fair value interest rate was estimated to be 18% which resulted in a fair value of the liability component of $3,225,525 and the residual value assigned to the equity component of $524,475. In addition, the finders' fees were allocated on a relative basis between the liability ($48,383) and equity ($7,867) components.

Also at issuance, the Company recorded a deferred income tax liability relating to the difference between the Company's accounting and tax basis of the convertible debt. The amount of this deferred tax liability of $133,700 was recorded as an addition to the equity component of the convertible debt as described above.

The liability component is presented on an amortized cost basis and was accreted to its face amount over the term to maturity of the Debentures at an effective interest rate (not including the contractual interest rate) of approximately 8.3% per annum. On June 27, 2013, the Company received notice that the Holders were confirming default and were declaring that all monies outstanding under the Debentures were due and payable. Accordingly and effective May 31, 2013, the accelerated accretion of $275,127 was recorded in finance fees and interest to bring the debenture's balance up to the balance due and payable, and the deferred tax liability of $133,700 was reversed.

On August 30, 2013, the Company paid out the Debentures, including accrued interest, in the amount of $4,068,750 from the proceeds of sale of the Cerro Prieto Property.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES

Authorized

An unlimited number of common shares without par value.

Warrants

	Number of Warrants	Weighted Average Exercise Price	
Balance of warrants at May 31, 2013	9,781,525	$	0.31
Expired	(2,995,900)		0.40
Balance of warrants at May 31, 2014	6,785,625	$	0.28
Expired	(6,785,625)		0.28
Balance of warrants at February 28, 2015	-	$	-

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, 2013	3,175,000	$	0.25
Expired/forfeited/cancelled	(325,000)		0.23
Balance outstanding, May 31, 2014	2,850,000	$	0.26
Expired/forfeited/cancelled	(2,450,000)		0.25
Balance outstanding and exercisable, February 28, 2015	400,000	$	0.30

The following table summarizes information about stock options outstanding at February 28, 2015:

Number of options	Exercise price $	Weighted average remaining life (years)	Expiry date
400,000	0.30	1.76	December 1, 2016

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd...)

Reserves

At February 28, 2015, the Company had a Stock Option and Warrant Reserve balance of $2,110,254 (February 28, 2014 - $2,110,254) consisting of warrant valuations on warrants attached to various private placements and stock-based compensation associated with stock option grants to employees, consultants, directors and officers.

At February 28, 2015, the Company had an Equity Component of Convertible Debt Reserve of $Nil (February 28, 2014 - $516,608).

At February 28, 2015, the Company had an Other Comprehensive Income (Loss) balance of $(26,288) (February 28, 2014 - $303,330) consisting of the adjustment of available for sale securities to fair value at February 28, 2015.

11. RELATED PARTY TRANSACTIONS

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

	For the Nine Months Ended February 28, 2015	For the Nine Months Ended February 28, 2014
Management and director fees	$ 148,000	$ 197,500
Consulting	6,750	-
Professional fees	76,500	79,965
Total	$ 231,250	$ 277,465

As at February 28, 2015 included in accounts payable and accrued liabilities was $213,208 (May 31, 2014 - $255,985) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

12. 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, 2015

	Canada	Mexico	Total
Equipment	$ 5,811	$ 6,349	$ 12,160
Exploration and evaluation assets	-	214,226	214,226
Other assets	4,545,487	5,158	4,550,645
Total assets	$ 4,551,298	$ 225,733	$ 4,777,031

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION (cont'd…)

As at May 31, 2014

	Canada	Mexico	Total
Equipment	$ 7,135	$ 6,864	$ 13,999
Exploration and evaluation assets	-	179,240	179,240
Other assets	6,026,531	8,513	6,035,044
Total assets	$ 6,033,666	$ 194,617	$ 6,228,283

13. SUPPLEMENTAL CASH FLOW INFORMATION

	For the Nine Months Ended February 28, 2015	For the Nine Months Ended February 28, 2014
Interest paid	$ -	$ 252,084
Taxes paid	$ -	$ -
Non-cash transactions not included in investing or financing activities		
Exploration and evaluation assets included in accounts payable	$ 5,928	$ 2,575

14. 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, 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.

14. FINANCIAL INSTRUMENT RISK AND CAPITAL (cont'd…)

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 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 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, 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 based on estimates as disclosed in Note 6. 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.

14. 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 February 28, 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.

15. CONTINGENCY

The Company and Goldgroup are subject to a legal action related to a terminated service agreement for the Cerro Prieto Property. The Plaintiff is seeking damages in excess of $3,000,000. The Company has agreed to indemnify and defend Goldgroup in this action. The Company believes the claims for damages to be without merit. See subsequent events.

16. SUBSEQUENT EVENT

In April, 2015, the Arizona court (the "Court") granted summary judgement in favour of the Company's, Minas de Oroco's and Goldgroup's (the "Defendants") motion for partial summary judgement and denied in its entirety Sonoran's concurrent motion for summary judgement on all of its claims. The court ruled in favour of the Defendant's with regard to Sonoran's claims for fraud and misrepresentation, punitive damages, Sonoran's employee severance costs and unspecified damages for breaches of environmental permits. The Court denied the Defendants application for summary judgement on Sonoran's claims for performance bonus shares and post-termination fees. The court also ruled in favour of Goldgroup with regard to all claims against it. 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.