
ROCHESTER RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2018

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Notes	August 31, 2018 \$	May 31, 2018 \$
ASSETS			
Current assets			
Cash		4,884	35,870
Amounts receivable	4	933,479	1,028,424
GST/IVA tax receivables		804,290	664,611
Prepaid expenses		47,673	64,580
Inventories	5	<u>503,753</u>	<u>613,705</u>
Total current assets		<u>2,294,079</u>	<u>2,407,190</u>
Non-current assets			
Property, plant and equipment	7	<u>940,282</u>	<u>1,014,530</u>
Total non-current assets		<u>940,282</u>	<u>1,014,530</u>
TOTAL ASSETS		<u>3,234,361</u>	<u>3,421,720</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		5,958,941	5,664,248
Amounts payable to directors and officers	12	1,419,752	1,364,744
Interest payable	8, 9, 10	5,139,559	4,876,362
Advances	8	4,795,848	4,764,072
Debentures	9	950,000	950,000
Indebtedness	10	<u>3,631,000</u>	<u>3,631,000</u>
Total current liabilities		<u>21,895,100</u>	<u>21,250,426</u>
Non-current liabilities			
Provision for site restoration	13	<u>1,066,710</u>	<u>1,014,530</u>
Total non-current liabilities		<u>1,066,710</u>	<u>1,014,530</u>
TOTAL LIABILITIES		<u>22,961,810</u>	<u>22,264,956</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	11	45,274,063	45,274,063
Share-based payments reserve		7,228,173	7,228,173
Contributed surplus		243,299	243,299
Deficit		<u>(72,472,984)</u>	<u>(71,588,771)</u>
TOTAL SHAREHOLDERS' (DEFICIENCY) EQUITY		<u>(19,727,449)</u>	<u>(18,843,236)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,234,361</u>	<u>3,421,720</u>

Nature of Operations and Going Concern - See Note 1

Event after the Reporting Period - See Note 18

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 26, 2018 and are signed on its behalf by:

/s/ Eduardo Luna
Eduardo Luna
Director

/s/ Nick DeMare
Nick DeMare
Director

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended August 31	
		2018 \$	2017 \$
Revenue		2,168,312	2,151,602
Cost of operations			
Cost of sales		(2,141,215)	(1,881,477)
Depletion and amortization	7	(74,846)	(169,491)
Provision for site restoration	13	<u>(20,008)</u>	<u>(24,203)</u>
Operating income (loss)		<u>(67,757)</u>	<u>76,431</u>
Expenses and other			
General and administration		(164,624)	(165,791)
Financing expense	14	(263,867)	(253,935)
Foreign exchange (loss) gain		(320,964)	602,815
Impairment of exploration and evaluation assets	6	<u>(67,001)</u>	<u>(64,439)</u>
		<u>(816,456)</u>	<u>118,650</u>
Comprehensive income (loss) for the period		<u>(884,213)</u>	<u>195,081</u>
 Basic and diluted income (loss) per common share		 <u>\$(0.04)</u>	 <u>\$0.01</u>
 Weighted average number of common shares outstanding		 <u>20,460,882</u>	 <u>20,460,882</u>

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended August 31, 2018					
	Share Capital					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Contributed Surplus \$	Deficit \$	Total Equity (Deficiency) \$
Balance at May 31, 2018	20,850,882	45,274,063	7,228,173	243,299	(71,588,771)	(18,843,236)
Comprehensive loss for the period	-	-	-	-	(884,213)	(884,213)
Balance at August 31, 2018	20,850,882	45,274,063	7,228,173	243,299	(72,472,984)	(19,727,449)
	Three Months Ended August 31, 2017					
	Share Capital					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Contributed Surplus \$	Deficit \$	Total Equity (Deficiency) \$
Balance at May 31, 2017	20,460,882	45,254,563	7,228,173	243,299	(67,803,938)	(15,077,903)
Comprehensive income for the period	-	-	-	-	195,081	195,081
Balance at August 31, 2017	20,460,882	45,254,563	7,228,173	243,299	(67,608,857)	(14,882,822)

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended August 31,	
	2018	2017
	\$	\$
Operating activities		
Net income (loss) for the period	(884,213)	195,081
Adjustments for:		
Depletion and amortization	74,846	169,491
Provision for site restoration	20,008	24,203
Financing expense	263,867	253,935
Unrealized foreign exchange loss (gain)	77,177	(430,049)
Impairment of exploration and evaluation assets	67,001	64,439
Changes in non-cash working capital items:		
Amounts receivable	94,945	(363,677)
GST/IVA tax receivable	(139,679)	34,241
Prepaid expenses and deposits	16,907	(12,726)
Inventories	109,952	32,230
Accounts payable and accrued liabilities	294,693	(155,353)
Amounts payable to directors and officers	55,008	59,191
Interest payable	(13,899)	-
Net cash provided by (used in) operating activities	36,613	(128,994)
Investing activities		
Additions to property, plant and equipment	(598)	-
Expenditures on exploration and evaluation assets	(67,001)	(64,439)
Net cash used in investing activities	(67,599)	(64,439)
Financing activities		
Advances received	-	200,326
Repayment of advances	-	(22,261)
Net cash provided by financing activities	-	178,065
Net change in cash	(30,986)	(15,368)
Cash at beginning of period	35,870	23,692
Cash at end of period	4,884	8,324

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

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2018
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Rochester Resources Ltd. (the "Company") was incorporated on September 7, 1989 under the provisions of the Company Act (British Columbia). The Company is listed and trades on the TSX Venture Exchange ("TSXV") under the symbol "RCT". The Company's head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is engaged in the exploration and development of its mineral property interests in Mexico. The mineral exploration and development business involves, by its nature, a high degree of risk and there can be no assurance that the current operations or exploration projects will result in sustainable profitable mining operations. All of the Company's exploration and evaluation assets and property, plant and equipment are located in Mexico, and hence are subject to the risks normally associated with foreign investment including unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

During the three months ended August 31, 2018 the Company recorded a net loss of \$884,213 and, as at August 31, 2018, the Company had an accumulated deficit of \$72,472,984 and a working capital deficit of \$19,601,021. The Company's Mina Real operations continue to be affected by low grades of mineralized material and operational challenges. The Company has been unable to make all concessions payments when due in the current and prior years for the Mina Real, San Francisco and Santa Fe properties. See also Notes 6 and 7. The Company's ongoing operations are dependent on extracting ore from the Mina Real and San Francisco properties and, therefore, on the Company's ability to preserve its interest in the underlying mineral property interests. In the immediate term, the Company's ability to continue as a going concern is dependent upon its ability to improve its operations to generate positive operating cash flow from the Mina Real and Santa Fe properties on a consistent basis, to raise additional capital to fund its ongoing business operations and exploration projects and repay indebtedness as they come due. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow on a consistent basis and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended May 31, 2018 other than the adoption of IFRS 9 - *Financial Instruments* ("IFRS 9").

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2018
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Financial Instruments

Effective June 1, 2018, the Company adopted IFRS 9 using the modified retrospective approach. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company's financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

Basis of Measurement

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

3. Subsidiaries

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
ALB Holdings Ltd. ("ALB")	Canada	100%
Mina Real Mexico S.A. de C.V. ("Mina Real")	Mexico	100%
Compania Minera Santa Fe S.A. de C.V. ("Compania Minera")	Mexico	70%

4. Amounts Receivable

	August 31, 2018 \$	May 31, 2018 \$
Production receivable	886,537	988,022
Employee advances	<u>46,942</u>	<u>40,402</u>
	<u>933,479</u>	<u>1,028,424</u>

5. Inventories

	August 31, 2018 \$	May 31, 2018 \$
Ore in process	187,150	311,663
Mine stores, supplies and other	<u>316,603</u>	<u>302,042</u>
	<u>503,753</u>	<u>613,705</u>

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. Exploration and Evaluation Assets

	Santa Fe Property \$
Balance at May 31, 2017	-
Exploration costs:	
Exploration site	3,589
	<u>3,589</u>
Acquisition costs:	
Mineral claims	80,041
Option payments	152,568
	<u>232,609</u>
Impairment	<u>(236,198)</u>
Balance at May 31, 2018	-
Exploration costs:	
Exploration site	7,012
	<u>7,012</u>
Acquisition costs:	
Mineral claims	20,689
Option payments	39,300
	<u>59,989</u>
Impairment	<u>(67,001)</u>
Balance at August 31, 2018	-

Through Mina Real the Company has an agreement to acquire a 70% interest in one concession (the "Santa Fe Property") located near the Mina Real Property. Under the terms of the agreement the Company agreed to implement a program of exploration to determine if the Santa Fe Property can be economically exploited. In addition, if the exploration work is successful, the Company agreed to provide the necessary capital to construct a processing plant capable of processing a minimum of 200 tonnes per day. To date, the Company has conducted limited exploration on the Santa Fe Property. The agreement is being disputed by the 30% concession owners. During fiscal 2018 the Company received a ruling in favour of the concession owners and have filed an appeal. The outcome of the appeal is currently unknown.

The Company is required to pay an ongoing monthly fee of US \$10,000 to the 30% concession owners of the Santa Fe Property. All amounts have been paid for the three months ended August 31, 2018. Two monthly payments from prior years remain outstanding.

The Company has only made partial concession payments on the Santa Fe Property. As at August 31, 2018 \$162,589 (May 31, 2018 - \$143,042) of concessions payments remained unpaid and is included in accounts payable and accrued liabilities.

During fiscal 2016 the Company assessed whether an impairment was required with respect to the Santa Fe Property as required by IFRS 6. In making the assessment management considered the Company's financial situation and its inability to implement an exploration work program. As a result the Company recorded an impairment charge of \$2,509,754 to reduce the carrying value to \$nil. Further impairment charges of \$310,243 during fiscal 2017 and \$236,198 during fiscal 2018 were recorded to reflect management's continued assessment of a \$nil carrying value. A further impairment charge of \$67,001 was recorded during the three months ended August 31, 2018 to reflect management's continued assessment of a \$nil carrying value.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

7. Property, Plant and Equipment

Cost:	Mineral Properties \$	Land \$	Buildings \$	Mill and Mine Equipment \$	Total \$
Balance, May 31, 2017	33,934,944	2,692,313	3,679,314	6,236,297	46,542,868
Additions	-	-	-	5,726	5,726
Changes due to revision	-	-	(162,080)	(198,097)	(360,177)
Balance, May 31, 2018	33,934,944	2,692,313	3,517,234	6,043,926	46,188,417
Additions	-	-	-	598	598
Balance, August 31, 2018	33,934,944	2,692,313	3,517,234	6,044,524	46,189,015
Accumulated depletion, amortization and impairment:					
Balance, May 31, 2017	(33,934,944)	(2,692,313)	(1,343,636)	(3,383,462)	(41,354,355)
Depletion and amortization	-	-	(214,699)	(434,282)	(648,981)
Impairment	-	-	(1,426,748)	(1,743,803)	(3,170,551)
Balance, May 31, 2018	(33,934,944)	(2,692,313)	(2,985,083)	(5,561,547)	(45,173,887)
Depletion and amortization	-	-	(26,608)	(47,678)	(74,286)
Balance, August 31, 2018	(33,934,944)	(2,692,313)	(3,011,691)	(5,609,225)	(45,248,173)
Carrying value:					
Balance, May 31, 2018	-	-	532,151	482,379	1,014,530
Balance, August 31, 2018	-	-	505,543	434,739	940,282

(a) The Company holds 100% undivided interests in the Mina Real and San Francisco properties. The Mina Real Property comprises eight concessions and one mineral claim located near Tepic, Mexico. The San Francisco Property comprises twelve concessions located approximately 60 kilometres west of the Company's mill on the Mina Real Property. The Company has only made partial concession payments on these concessions. As at August 31, 2018 \$1,563,418 (May 31, 2018 - \$1,402,311) of concessions payments remained unpaid and is included in accounts payable and accrued liabilities.

(b) During fiscal 2015 management assessed whether there were any indications of impairment of the Company's property, plant and equipment as required by IAS 36. In light of the continued large net loss from operations, negative cash flow from operations and the low trading value of the Company's common shares, management concluded there were indications of impairment.

When indications of impairment are determined to be present, IAS 36 requires the Company to estimate the recoverable amount of the Company's property, plant and equipment. The Company does not have sufficient verifiable information to prepare adequately detailed and meaningful calculations of fair value less costs of disposal or value in use. Therefore, the Company applied a value in use method that takes into account the Company's financial position and results of operations and operational issues among other factors in determining an estimated recoverable amount. This method indicated that an initial impairment provision of \$4,000,000 was appropriate in fiscal 2015. Due to continuing declines from operations the Company recorded further impairment charges of \$5,875,572 in fiscal 2016, \$152,447 in fiscal 2017 and \$3,170,551 in fiscal 2018.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2018
(Unaudited - Expressed in Canadian Dollars)

8. Advances

	9% Advances \$	12% Advances \$	Total \$
Principal			
Balance, May 31, 2017	1,295,805	3,146,820	4,442,625
Advances received	-	496,365	496,365
Repayment of advances	(32,204)	-	(32,204)
Foreign exchange adjustment	(22,629)	(120,085)	(142,714)
Balance, May 31, 2018	1,240,972	3,523,100	4,764,072
Foreign exchange adjustment	4,090	27,686	31,776
Balance, August 31, 2018	1,245,062	3,550,786	4,795,848
Interest			
Balance, May 31, 2017	504,278	1,095,295	1,599,573
Interest	111,680	400,067	511,747
Repayment of interest	(8,677)	-	(8,677)
Foreign exchange adjustment	(7,478)	(37,155)	(44,633)
Balance, May 31, 2018	599,803	1,458,207	2,058,010
Interest	28,283	107,751	136,034
Foreign exchange adjustment	1,822	11,406	13,228
Balance, August 31, 2018	629,908	1,577,364	2,207,272

- (a) The 9% Advances bear interest at a rate of 9% per annum and have no fixed terms of repayment. As at August 31, 2018, \$1,245,062 (May 31, 2018 - \$1,240,972) of the principal and \$629,908 (May 31, 2018 - \$599,803) of the related accrued interest are due to the President of the Company and private corporations controlled by or affiliated with the Chairman of the Company.
- (b) The 12% Advances bear interest at a rate of 12% per annum and have no fixed terms of repayment. As at August 31, 2018, \$3,538,535 (May 31, 2018 - \$3,513,716) of the principal and \$1,562,719 (May 31, 2018 - \$1,447,273) of the related accrued interest are due to the Chairman of the Company, directors of the Company and private corporations controlled by or affiliated with the President of the Company.

9. Debentures

On May 31, 2013 the Company completed a \$950,000 secured debenture financing (the "Debentures"). On December 31, 2014 the Debentures matured. The principal amounts under the Debentures continue to be subject to a monthly interest charge equivalent to \$12.67 multiplied by the greater of: (a) the monthly production of mineralized material from the Company's San Francisco Property, and (b) the average monthly production of mineralized material from the San Francisco Property, provided, however, that the monthly interest has a minimum monthly payment of \$5,067 per month and a maximum payment of \$15,833 per month. During the three months ended August 31, 2018 the Company repaid \$13,899 (May 31, 2018 - \$21,479) and recognized \$45,465 (2017 - \$47,890) of interest expense. As at August 31, 2018 \$1,022,186 (May 31, 2018 - \$990,619) of interest remained unpaid and is included in interest payable.

The holders of the Debentures have not demanded repayment of principal or accrued interest. Directors of the Company hold \$677,000 of the Debentures.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

10. Indebtedness

	August 31, 2018 \$	May 31, 2018 \$
Amount due to E-Energy Ventures Inc. ("E-Energy")	1,815,500	1,815,500
Amount due to United Coal Holdings Limited ("United Coal")	<u>1,815,500</u>	<u>1,815,500</u>
	<u>3,631,000</u>	<u>3,631,000</u>

The amounts due to E-Energy and United Coal are secured by the assets of the Company and interest is calculated at 9% per annum on the declining balance at the end of the month. During the three months ended August 31, 2018 the Company recognized \$82,368 (2017 - \$82,369) of interest expense. As at August 31, 2018 \$1,910,101 (May 31, 2018 - \$1,827,733) of interest remained unpaid and is included in interest payable. Neither E-Energy nor United Coal have demanded payment of the amounts in arrears.

The Company, E-Energy and United Coal are related by way of a common director.

11. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at August 31, 2018 and 2017 and the changes for the three months ended on those dates is as follows:

	<u>2018</u>		<u>2017</u>	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning and end of period	<u>795,000</u>	0.05	<u>1,185,000</u>	0.05

As at August 31, 2018, 795,000 warrants remained outstanding and exercisable at an exercise price of \$0.05 expiring September 29, 2018.

See also Note 18.

(c) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

No share options were granted or vested during the three months ended August 31, 2018 or 2017 and, as of August 31, 2018, the Company had no share options outstanding.

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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12. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the three months ended August 31, 2018 and 2017 the following amounts were incurred with respect to the Chairman, President and Chief Financial Officer of the Company:

	2018 \$	2017 \$
Management fees	33,000	33,000
Professional fees	<u>15,015</u>	<u>14,909</u>
	<u>48,015</u>	<u>47,909</u>

As at August 31, 2018, \$1,037,300 (May 31, 2018 - \$989,402) remained unpaid and is included in amounts payable to directors and officers.

(b) *Transactions with Other Related Parties*

(i) During the three months ended August 31, 2018 and 2017 the following amounts were incurred with respect to the non-executive directors and an officer of the Company:

	2018 \$	2017 \$
Consulting fees	<u>15,000</u>	<u>15,000</u>

As at August 31, 2018, \$353,250 (May 31, 2018 - \$338,250) remained unpaid and is included in amounts payable to directors and officers.

(ii) During the three months ended August 31, 2018 the Company incurred a total of \$10,500 (2017 - \$10,500) to Chase Management Ltd. ("Chase"), a private corporation owned by the President of the Company, for accounting and administration services provided by Chase personnel, excluding the President. As at August 31, 2018, \$20,780 (May 31, 2018 - \$37,092) remained unpaid and is included in amounts payable to directors and officers.

(c) See also Notes 8, 9 and 10.

13. Provision for Site Restoration

	Three Months Ended August 31,	
	2018 \$	2017 \$
Balance, beginning of period	1,014,530	1,413,879
Accretion	20,008	24,203
Revision of estimates	-	-
Foreign exchange	<u>32,172</u>	<u>(72,861)</u>
Balance, end of period	<u>1,066,710</u>	<u>1,365,221</u>

ROCHESTER RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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13. Provision for Site Restoration

The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligation is US \$1,103,000 which, as at August 31, 2018, has been discounted using a credit adjusted pre-tax risk free rate of 7.83% (2017 - 5.59%) and an inflation rate of 4.90% (2017 - 6.66%). The present value of the reclamation liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur. The settlement of the obligation is anticipated to occur primarily in fiscal 2030.

14. Financing Expenses

Financing expenses for the three months ended August 31, 2018 and 2017 are as follows:

	Note	2018 \$	2017 \$
Interest expense:			
Advances	8	136,034	123,676
Debentures	9	45,465	47,890
Indebtedness	10	<u>82,368</u>	<u>82,369</u>
		<u>263,867</u>	<u>253,935</u>

15. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following five categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	August 31, 2018 \$	May 31, 2018 \$
Cash	FVTPL	4,884	35,870
Amounts receivable	Loans and receivables	933,479	1,028,424
Accounts payable and accrued liabilities	Other financial liabilities	(5,958,941)	(5,664,248)
Amounts payable to directors and officers	Other financial liabilities	(1,419,752)	(1,364,744)
Interest payable	Other financial liabilities	(5,139,559)	(4,876,362)
Advances	Other financial liabilities	(4,795,848)	(4,764,072)
Indebtedness	Other financial liabilities	(3,631,000)	(3,631,000)
Debentures	Other financial liabilities	(950,000)	(950,000)

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.

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15. Financial Instruments and Risk Management (continued)

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

The recorded amounts for amounts receivable, accounts payable and accrued liabilities, amounts payable to directors and officers, interest payable and advances approximate their fair value due to their short-term nature. The recorded amounts for debt and debentures (including the equity portion) approximate fair value and they have interest at market rates for similar debt. The Company's fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote. Amounts receivable are due from one customer.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company's ability to manage this risk is affected by low grades of mineralized material and operational challenges. See Note 1. All of the Company's financial liabilities are classified as current. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at August 31, 2018				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$
Cash	4,884	4,884	4,884	-	-
Amounts receivable	933,479	933,479	933,479	-	-
Accounts payable and accrued liabilities	(5,958,941)	(5,958,941)	(5,958,941)	-	-
Amounts payable to directors and officers	(1,419,752)	(1,419,752)	(1,419,752)	-	-
Interest payable	(5,139,559)	(5,139,559)	(5,139,559)	-	-
Advances	(4,795,848)	(4,795,848)	(4,795,848)	-	-
Indebtedness	(3,631,000)	(3,631,000)	(3,631,000)	-	-
Debentures	(950,000)	(950,000)	(950,000)	-	-

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears a floating rate of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Commodity Price Risk

The Company is subject to risk from fluctuations in the market prices of silver and gold. Silver and gold prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control. The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties. If metal prices decline for a prolonged period below the cost of production of the Company's Mina Real mine, it may not be economically feasible to continue production.

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15. Financial Instruments and Risk Management (continued)

During the three months ended August 31, 2018 and 2017 the Company did not hedge silver and gold prices.

(c) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and the Company's operating expenses are incurred in Canadian Dollars and Mexican Pesos. The Company also has advances denominated in US Dollars. Management believes the foreign exchange risk related to currency conversions are minimal and therefore does not hedge its foreign exchange risk. At August 31, 2018, 1 Canadian Dollar was equal to 14.72 Mexican Pesos and 0.77 US Dollar.

Balances are as follows:

	Mexican Pesos	United States Dollars	CDN \$ Equivalent
Cash	30,575	1,177	3,605
Amounts receivable	473,713	676,086	910,215
IVA tax receivable	11,553,243	-	784,867
Inventories	7,073,822	-	503,753
Accounts payable and accrued liabilities	(81,310,908)	(264,755)	(5,867,677)
Amounts payable to directors and officers	-	(57,650)	(74,870)
Interest payable	-	(1,359,815)	(1,765,994)
Advances	-	(2,969,588)	(3,856,608)
	<u>(62,179,555)</u>	<u>(3,974,545)</u>	<u>(9,362,709)</u>

Based on the net exposures as of August 31, 2018 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Mexican Peso and the US Dollar would result in the Company's comprehensive loss being approximately \$991,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

16. Segmented Information

The Company operates in one reportable segment, the acquisition, exploration and development of exploration and evaluation assets. The Company's mineral operations are located in Mexico and its corporate assets, comprising mainly of cash, are located in Canada.

	August 31, 2018		
	Non-current Assets \$	Revenues \$	Net (Loss \$)
Mineral operations (Mexico)	940,282	2,168,312	(544,894)
Corporate (Canada)	-	-	(339,319)
	<u>940,282</u>	<u>2,168,312</u>	<u>(884,213)</u>

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16. Segmented Information (continued)

	May 31, 2018		
	Non-current Assets \$	Revenues \$	Net Loss \$
Mineral operations (Mexico)	1,014,530	8,644,103	(2,384,002)
Corporate (Canada)	-	-	(1,400,831)
	<u>1,014,530</u>	<u>8,644,103</u>	<u>(3,784,833)</u>

17. Contingent Liabilities

From time to time the Company becomes involved in various claims and litigation as part of the normal course of operations. While the outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on the Company's financial position and results of operations. See also Note 6.

18. Event after the Reporting Period

Subsequent to August 31, 2018 warrants to acquire 795,000 common shares of the Company, at an exercise price of \$0.05 per share, expired without exercise.