



Candelaria Mining Corp.

Condensed Interim Consolidated Financial Statements
For the six months ended October 31, 2017 and 2016
(amount expressed in thousands of Canadian dollars, except where indicated)
(unaudited)

NOTICE

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS
(UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED OCTOBER 31, 2017**

The second quarter financial statements for the six months ended October 31, 2017 and 2016 have not been reviewed by the auditors of Candelaria Mining Corp.

CANDELARIA MINING CORP.

"Sam Wong"

SAM WONG

Chief Financial Officer

Candelaria Mining Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

| | Note | October 31, 2017 | April 30, 2017 |
|--|------|------------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | \$ 3,271 | \$ 940 |
| Other receivables and prepaid expenses | 4,5 | 2,577 | 2,175 |
| | | 5,848 | 3,115 |
| Equipment | | 62 | 87 |
| Other – fair value difference on initial recognition | 7 | - | 3,054 |
| Exploration and evaluation assets | 6 | 32,639 | 32,629 |
| Total assets | | \$ 38,549 | \$ 38,885 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5 | \$ 439 | \$ 700 |
| Caballo Blanco Acquisition Payable | 5,6 | 1,657 | 1,769 |
| Convertible debenture – amortized cost | 7 | 621 | - |
| Promissory note | 5 | - | 3,339 |
| | | 2,717 | 5,808 |
| Convertible debenture – fair value through profit and loss | 7 | - | 7,563 |
| Convertible debentures – amortized cost | 7 | - | 1,740 |
| Total liabilities | | \$ 2,717 | \$ 15,111 |
| Shareholders' equity | | | |
| Share capital | | 42,054 | 22,068 |
| Reserves | | 3,301 | 3,195 |
| Share consideration – to be issued | 8(c) | - | 4,233 |
| Deficit | | (11,632) | (8,919) |
| | | 33,723 | 20,577 |
| Non-controlling interest (“NCI”) | | 2,109 | 3,197 |
| | | 35,832 | 23,774 |
| Total liabilities and shareholders' equity | | \$ 38,549 | \$ 38,885 |

Nature of operations and going concern (note 1)

Subsequent event (note 15)

Approved by the Board of Directors

"Ramon Perez" Director

"Javier Reyes" Director

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

Candelaria Mining Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

| | Notes | Three months ended October 31, | | Six months ended October 31, | |
|--|-------|--------------------------------|---------|------------------------------|-----------|
| | | 2017 | 2016 | 2017 | 2016 |
| General and administration expenses | | | | | |
| Amortization | | \$ (12) | \$ (1) | \$ (24) | \$ (1) |
| Exploration expense | 14 | (832) | (84) | (1,454) | (168) |
| Consulting and professional fees | | (209) | (187) | (678) | (220) |
| Salary and wages | | (20) | (11) | (247) | (20) |
| General and administration | | (189) | (105) | (327) | (135) |
| Investor relations and development | | (11) | (36) | (67) | (36) |
| Regulatory and filing fees | | (28) | (52) | (30) | (72) |
| Travel | | (27) | (12) | (54) | (13) |
| Share-based compensation | 9 | - | (224) | - | (2,592) |
| | | (1,328) | (712) | (2,881) | (3,257) |
| Other (expenses) income, net | | | | | |
| Finance cost | 13 | (2,697) | (141) | (3,863) | (149) |
| Finance income | | - | 4 | - | 4 |
| Gain on fair value of convertible debenture | 7 | 2,338 | - | 3,033 | - |
| Gain on settlement of contingent liability | | - | 2,426 | - | 2,426 |
| Foreign exchange loss | | 415 | (324) | (90) | (382) |
| Net (loss) income | | (1,272) | 1,253 | (3,801) | (1,358) |
| Other comprehensive loss ("OCI") | | | | | |
| Cumulative translation adjustment | | 3 | 13 | 106 | 13 |
| Total comprehensive loss | | (1,269) | 1,266 | (3,695) | (1,345) |
| Net (loss) income attributable to: | | | | | |
| Owners of the Company | | (411) | 1,253 | (2,713) | (1,358) |
| NCI | | (861) | - | (1,088) | - |
| Total comprehensive loss | | (1,272) | 1,253 | (3,801) | (1,358) |
| OCI attributable to: | | | | | |
| Owners of the Company | | 3 | 13 | 106 | 13 |
| NCI | | - | - | - | - |
| Total comprehensive loss | | 3 | 13 | 106 | 13 |
| Loss per share – basic and diluted | | \$ (0.00) | \$ 0.02 | \$ (0.03) | \$ (0.02) |
| Weighted average shares outstanding (000's) – basic and diluted | | 105,231 | 79,270 | 101,195 | 67,252 |
| Total shares issued and outstanding (000's) | | 108,666 | 81,319 | 108,666 | 81,319 |

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

Candelaria Mining Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY

(Unaudited - amount expressed in thousands of Canadian dollars, except where indicated)

| | Notes | Shares (^{'000}) Note 2 | Share capital | Reserves | Translation reserves | Equity portion - convertible debenture | Share consideration to be issued | Deficit | Total equity for owners | NCI | Total equity |
|---|-------|---|------------------|-----------------|-------------------------|---|--|--------------------|----------------------------|-----------------|------------------|
| Balance as at April 30, 2017 | | 86,874 | \$ 22,068 | \$ 3,252 | \$ (107) | \$ 50 | \$ 4,233 | \$ (8,919) | \$ 20,577 | \$ 3,197 | \$ 23,774 |
| Share issuance – private placement, net | 8(e) | 10,120 | 9,584 | - | - | - | - | - | 9,584 | - | 9,584 |
| Share issuance – warrants exercised | 8(d) | 16 | 12 | - | - | - | - | - | 12 | - | 12 |
| Share issuance – convertible debenture | 8(f) | 6,989 | 6,157 | - | - | - | - | - | 6,157 | - | 6,157 |
| Cumulative translation | | - | - | - | 106 | - | - | - | 106 | - | 106 |
| Apolo acquisition | 8(c) | 4,667 | 4,233 | - | - | - | (4,233) | - | - | - | - |
| Net loss for the period | | - | - | - | - | - | - | (2,713) | (2,713) | (1,088) | (3,801) |
| As at October 31, 2017 | | 108,666 | \$ 42,054 | \$ 3,252 | \$ (1) | \$ 50 | \$ - | \$ (11,632) | \$ 33,723 | \$ 2,109 | \$ 35,832 |

| | | Shares (^{'000}) Note 2 | Share capital | Reserves | Translation Reserves | Equity Portion - Convertible Debenture | Subscriptions receivable | Deficit | Total equity for owners | NCI | Total equity |
|---|--|---|------------------|-----------------|-------------------------|---|-----------------------------|-------------------|----------------------------|-------------|------------------|
| Balance as at April 30, 2016 | | 31,510 | \$ 4,827 | \$ 145 | \$ - | \$ - | \$ (177) | \$ (1,377) | \$ 3,418 | \$ - | \$ 3,418 |
| Share issuance – private placement, net | | 49,742 | 14,270 | 2,178 | - | - | (398) | - | 16,050 | - | 16,050 |
| Option exercised | | 67 | 17 | (7) | - | - | (10) | - | - | - | - |
| Stock based compensation | | - | - | 2,592 | - | - | - | - | 2,592 | - | 2,592 |
| Convertible debenture issuance | | - | - | - | - | 472 | - | - | 472 | - | 472 |
| Cumulative translation | | - | - | - | 13 | - | - | - | 13 | - | 13 |
| Net loss for the period | | - | - | - | - | - | - | (1,358) | (1,358) | - | (1,358) |
| As at October 31, 2016 | | 81,319 | \$ 19,114 | \$ 4,908 | \$ 13 | \$ 472 | \$ (585) | \$ (2,735) | \$ 21,187 | \$ - | \$ 21,187 |

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

Candelaria Mining Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS of CASH FLOWS

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

| | Note | Three months ended October 31, | | Six months ended October 31, | |
|--|----------|--------------------------------|----------|------------------------------|------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Cash used from operating activities | | | | | |
| Net (loss) income for the period | | \$ (1,272) | \$ 1,253 | \$ (3,801) | \$ (1,358) |
| Items not affecting cash | | | | | |
| Amortization | | 12 | 1 | 24 | 1 |
| Finance cost – accreted interest | | 2,684 | 65 | 3,789 | 65 |
| Unrealized foreign exchange gain | | (405) | 326 | 100 | 382 |
| Gain on fair value of convertible debenture | | (2,338) | - | (3,033) | - |
| Gain on settlement of convertible debenture | | - | (2,426) | - | (2,426) |
| Share-based compensation charges | | - | 224 | - | 2,592 |
| | | (1,319) | (557) | (2,921) | (744) |
| Change in non-cash operating working capital | | | | | |
| (Increase) decrease in accounts receivable and prepaid expense | | (1) | (13) | (403) | (19) |
| (Decrease) increase in accounts payable and accruals | | (165) | 181 | (368) | 154 |
| | | (1,485) | (389) | (3,692) | (609) |
| Cash flows used in investing activities | | | | | |
| Expenditure – equipment | | - | (60) | - | (60) |
| Expenditure in exploration and evaluation assets | | - | - | - | (13,495) |
| Advances to Apolo | | - | (1,127) | - | (1,898) |
| | | - | (1,187) | - | (15,453) |
| Cash flows used in financing activities | | | | | |
| Proceeds from private placement, net | 8(e) | - | 3,000 | 9,584 | 15,795 |
| Proceeds from warrants exercised | 8(d) | - | - | 12 | - |
| Repayment of promissory note | 6(b)(iv) | - | - | (3,412) | - |
| Proceeds from convertible debenture | | - | - | - | 1,625 |
| Proceeds collected from subscription receivable | | - | 85 | - | 255 |
| | | - | 3,085 | 6,184 | 17,675 |
| Increase (decrease) in cash and cash equivalents | | (1,485) | 1,509 | 2,492 | 1,613 |
| Foreign exchange impact on cash and cash equivalents | | 394 | (74) | (161) | (122) |
| Cash and cash equivalents – beginning of period | | 4,362 | 1,640 | 940 | 1,584 |
| Cash and cash equivalents – end of period | | 3,271 | 3,075 | 3,271 | 3,075 |
| Cash | | \$ 3,237 | \$ 3,050 | \$ 3,237 | \$ 3,050 |
| Short term investment | | 34 | 25 | 34 | 25 |
| Cash and cash equivalents – end of period | | \$ 3,271 | \$ 3,075 | \$ 3,271 | \$ 3,075 |
| Supplemental cash flow information | | | | | |
| Promissory note issue for acquisition of Caballo Blanco | | - | - | - | 3,250 |
| Convertible debenture reclassified to share capital (derivative) | | 4,530 | - | 4,530 | - |
| Convertible debenture reclassified to share capital (amortized cost) | | 1,627 | - | 1,627 | - |
| Contingent liability assumed | | - | 6,418 | - | 6,418 |
| Convertible debenture – equity portion | | - | 473 | - | 473 |
| Convertible debenture issuance – contingent gain settlement | | - | 3,195 | - | 3,195 |
| Warrants issued – private placement | | - | 43 | - | 43 |

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2017 and 2016

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

1 Nature of operations and going concern

Candelaria Mining Corp., (formerly Branco Resources Ltd.) (the “Company”) is a British Columbia public company listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “CAND.V”. The Company was incorporated under the Business Corporations Act of British Columbia on January 23, 2012. The Company’s registered and records office is located at Suite 1200, 750 West Pender Street, Vancouver, BC, Canada, V6C 2T8. The address of the Company’s head office is 1201 - 1166 Alberni Street, Vancouver, BC V6E 3Z3.

On March 27, 2017, the Company commenced trading on the OTCQX Market under the symbol “CDELF.”

On February 27, 2015, the Company, entered into an agreement to acquire a 60% interest in Minera Apolo, S.A. de C.V. (“Apolo”). Apolo is a privately owned exploration company with certain mining concessions located in the State of Zacatecas, Mexico (the “Property”). The Company finalized the agreement for the acquisition of Apolo on March 17, 2016 (Note 6(a)).

On May 11, 2016, the Company signed an agreement to acquire the Caballo Blanco Gold Project (“Caballo Blanco”) in Veracruz from Molimentales Del Noroeste, SA de CV, a subsidiary of Alio Gold Inc. (“Alio”), formerly Timmins Gold Corp. (Note 6(b)).

Going concern

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, twelve months from the end of the reporting year. Management is aware in making its assessment of material uncertainties relating to events or conditions that may cause significant doubt upon the Company’s ability to continue as a going concern, as explained in the following paragraph.

The Company has not yet generated income or cashflows from operations. As at October 31, 2017, the Company had an accumulated deficit of \$11,632 (April 30, 2017 - \$8,919). For the six months ended October 31, 2017, the Company incurred a net and comprehensive loss of \$3,801 (October 31, 2016 - \$1,358) and negative cashflows from operations of \$3,692 (October 31, 2016 - \$609). The Company will require additional financing, through various means including, but not limited to equity financings to continue the exploration program and to meet its future obligations and administrative expenses. There is no assurance that the Company will be successful in raising the additional required funds.

The above noted conditions raise significant doubt about the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2 Basis of presentation

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended April 30, 2017.

The Company’s interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on December 15, 2017.

Stock consolidation

On November 18, 2016, TSX Venture Exchange has approved a share consolidation of the outstanding share capital of the Company on the basis of every three (3) pre-consolidation common shares into one (1) new post-consolidation common share. All share capital related items presented in this annual audited financial statement are presented in post-consolidation in current fiscal year and comparative period.

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2017 and 2016

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

Use of estimates and judgements

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended April 30, 2017. In addition, the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended April 30, 2017.

Acquisition of mineral property interests

The Company treats the acquisition of a mineral property interest as either a business combination or asset purchase. The determination of treatment is based upon an assessment of factors at the time of acquisition.

A business combination is a transaction in which control over one or more businesses is obtained. A business is defined as an integrated set of activities and assets that is capable of creating outputs which provide a positive economic return to stakeholders. If the integrated set of activities and assets is in the exploration or development stage and therefore does not have outputs, the Company considers other factors to determine if the assets are a business. These include, but are not limited to, whether the set of activities and assets:

- (a) has planned principal activities;
- (b) has identified mineral reserves and processes needed to generate the inputs required for output production;
- (c) is pursuing a plan to produce outputs; and
- (d) will be able to sell the produced outputs.

Not all of the above factors need to be present for a particular integrated set of activities and assets in the development stage to qualify as a business. Business acquisitions are accounted for using the acquisition method, in which the acquired assets and liabilities are recorded at fair value at the date of acquisition. Direct costs associated with a business combination are expensed as incurred.

Acquisitions in which a business is not acquired are treated as an asset purchase. Under an asset purchase, the fair value of the consideration provided is allocated to the individual fair value of assets and liabilities assumed on the basis of their relative fair values at the time of acquisition. The costs of acquisition for an asset acquisition are deferred and capitalized in the period they are incurred. In the event the acquisition is not completed, these costs would be immediately expensed.

The Apolo and Caballo Blanco acquisitions (Note 6) was treated as an asset purchase since, at time of acquisition, it was not a business.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The determination of a compliant resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred).

Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of such expenditures is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2017 and 2016

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

Share-based payments

The Company grants share-based awards as an element of compensation that includes stock options and restricted share units.

Share-based payments for stock options are determined using the Black-Scholes option pricing model based on estimated fair values at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Share-based payments for restricted share units are determined using the market price at the date of grant and is expensed to profit or loss over each award's vesting period.

Derivative assets and liabilities

Management is required to determine assumptions used in financial fair value models to estimate derivatives liabilities raised from share purchase warrants, and gold forward contracts where contractually applicable. The assumptions may be adjusted at each reporting period and the actual value of the derivative liability may differ from the amount currently provided.

Functional Currency

The Company is involved in the exploration and development of gold with continued operations that are heavily reliant on international economics such as the price and demand of gold and other commodities. The Company parent company's resources, future sales and competitive forces are measured in CAD and have determined the functional currency of all its entities to be CAD. All of the foreign subsidiaries, which are located in Mexico, the functional currency is denominated in Mexican Pesos.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All amounts are expressed in Canadian dollars, unless otherwise stated. Intercompany transactions and balances between the Company and its subsidiaries are eliminated. The principal subsidiaries of the Company and their geographic location as at October 31, 2017 were as follows:

| | Jurisdiction | Ownership % |
|--|---------------------|----------------------|
| Candelaria Mining Corp. | Canada | N/A – parent company |
| Group Minero Candelaria SAPI de CV | Mexico | 100% |
| Maquila de Minerales SA de CV | Mexico | 100% |
| Minera Apolo SA de CV | Mexico | 60% |
| Minera Catanava SA de CV (100% wholly owned by Minera Apolo) | Mexico | 60% |
| Minera Caballo Blanco SA de CV | Mexico | 100% |

3 Summary of significant accounting policies

Recent accounting pronouncements issued but not yet effective

IFRS 9 Financial Instruments

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2017 and 2016

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

IFRS 15 Revenues from Contracts with Customers ("IFRS 15")

This standard was issued on May 28, 2014 and will replace IAS 11 Construction Contracts ("IAS 11"), IAS 18 Revenue ("IAS 18"), and related interpretations. This new standard outlines a single comprehensive model to be used in recognizing revenue arising from contracts with customers, and contains more prescriptive guidance than in IAS 11, IAS 18 and related interpretations. The core principle in IFRS15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 15 at the effective date and does not expect this pronouncement to have a significant impact on its consolidated financial statements as the Company does not generate significant revenue given the current stage of its mineral exploration projects. The Company will reassess the impact once significant revenue is generated.

IFRS 16, Leases ("IFRS 16) and revised IAS 17 ("IAS 17)

The IASB issued IFRS 16 and revised IAS 17 in January 2016. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

4 Other receivables and prepaid expenses

| | October 31, 2017 | April 30, 2017 |
|------------------|------------------|----------------|
| Other receivable | \$ 103 | \$ 147 |
| IVA | 2,405 | 1,784 |
| Prepaid expenses | 69 | 244 |
| | \$ 2,577 | \$ 2,175 |

5 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2017 and 2016

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

| | October 31, 2017 | | April 30, 2017 | |
|---|----------------------|------------------|----------------------|------------------|
| | Carrying value \$ | Fair value \$ | Carrying value \$ | Fair value \$ |
| Financial assets | | | | |
| <i>Loans and receivables</i> | | | | |
| Cash and cash equivalents ⁽¹⁾ | 3,271 | 3,271 | 940 | 940 |
| Other receivables ⁽¹⁾ | 103 | 103 | 147 | 147 |
| Financial liabilities | | | | |
| <i>Fair value through profit or loss</i> | | | | |
| Convertible debenture | - | - | 7,563 | 7,563 |
| <i>Other financial liabilities</i> | | | | |
| Accounts payable & accrued liabilities ⁽¹⁾ | 439 | 439 | 700 | 700 |
| Caballo Blanco acquisition payable ⁽¹⁾ | 1,657 | 1,657 | 1,769 | 1,769 |
| Promissory notes ⁽¹⁾ | - | - | 3,339 | 3,339 |

(1) The carrying value of cash, receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these items.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and marketable securities. The Company's cash and cash equivalents are held through large Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 11. The accounts payable is due within the current operating period.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities. A 1% change in market interest rates would result in no significant change in value of cash and cash equivalents or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

Foreign Exchange Risk

The Company operates in Canada and Mexico. As a result, the Company is exposed to foreign exchange risk arising from transactions denominated in foreign currencies.

The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of the operating currencies in relation to the United States dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2017 and 2016

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

The Company's financial assets and liabilities as at October 31, 2017 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

| | Canadian Dollars | US Dollars | Mexico Pesos | Total |
|---|------------------|------------|--------------|----------|
| Financial assets | | | | |
| Cash and cash equivalent | \$ 16 | \$ 3,167 | \$ 88 | \$ 3,271 |
| Other receivables | 11 | - | 2,497 | 2,508 |
| | 27 | 3,167 | 2,585 | 5,779 |
| Financial liabilities | | | | |
| Accounts payables and accrued liabilities | (303) | (32) | (104) | (439) |
| Caballo Blanco Acquisition Payable | - | (1,657) | - | (1,657) |
| Net financial (liabilities) assets | (276) | 1,478 | 2,481 | 3,683 |

The Company's financial assets and liabilities as at April 30, 2017 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

| | Canadian Dollars | US Dollars | Mexico Pesos | Total |
|---|------------------|-------------|--------------|-------------|
| Financial assets | | | | |
| Cash and cash equivalent | \$ 146 | \$ 542 | \$ 252 | \$ 940 |
| Other receivables | 158 | - | 1,773 | 1,931 |
| | 304 | 542 | 2,025 | 2,871 |
| Financial liabilities | | | | |
| Accounts payables and accrued liabilities | (261) | (284) | (155) | (700) |
| Caballo Blanco Acquisition Payable | - | (1,769) | - | (1,769) |
| Promissory note | - | (3,339) | - | (3,339) |
| Convertible debenture – FVTPL | - | (7,563) | - | (7,563) |
| Convertible debenture – amortized cost | - | (1,740) | - | (1,740) |
| Net financial (liabilities) assets | \$ 43 | \$ (14,153) | \$ 1,870 | \$ (12,240) |

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Mexican Pesos exchange rate. As of October 31, 2017, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$148 (April 30, 2017 - \$1,415). A 10% depreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the Mexican Pesos relative to the Canadian dollar would have decreased net financial asset by approximately \$248 (April 30, 2017 - \$187) and a 10% depreciation of the Mexican Pesos would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities.

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| October 31, 2017 | Current – within 1 year | Non- current – 1 to 3 years |
|---|--------------------------------|------------------------------------|
| Accounts payables and accrued liabilities | \$ 439 | \$ - |
| Caballo Blanco Acquisition Payable | 1,657 | - |
| Convertible debenture – amortized cost | 621 | |
| | \$ 2,717 | \$ - |

| April 30, 2017 | Current – within 1 year | Non- current – 1 to 3 years |
|---|--------------------------------|------------------------------------|
| Accounts payables and accrued liabilities | \$ 700 | \$ - |
| Caballo Blanco Acquisition Payable | 1,769 | - |
| Promissory note | 3,339 | |
| Convertible debenture – FVTPL | - | 7,563 |
| Convertible debenture – amortized cost | - | 1,740 |
| | \$ 5,808 | \$ 9,303 |

6 Exploration and evaluation assets

| | Apolo Property, Zacatecas, Mexico | Caballo Blanco Project | Total |
|---|--|-----------------------------------|------------------|
| April 30, 2016 | \$ 1,055 | \$ - | \$ 1,055 |
| Advances to Apolo - reclassification | 850 | - | 850 |
| Reclassification to acquisition cost | (1,905) | - | (1,905) |
| Acquisition cost – Apolo | 11,370 | - | 11,370 |
| Acquisition cost – Caballo Blanco (see below) | - | 21,259 | 21,259 |
| April 30, 2017 | \$ 11,370 | \$ 21,259 | \$ 32,629 |
| Cumulative translation adjustment – foreign exchange impact | 3 | 7 | 10 |
| October 31, 2017 | \$ 11,373 | \$ 21,266 | \$ 32,639 |

a) Apolo Project

The Company has accounted for the acquisition as an asset purchase and the purchase price allocation is summarized as follows:

| | |
|-----------------------------------|-----------------|
| Cash payment – US\$500 (a)(i)(ii) | 656 |
| Share issuance (a)(iii) | 4,533 |
| Loan forgiven (a)(vi) | 850 |
| Transaction cost (a)(vi) | 430 |
| Total consideration | \$ 6,469 |

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| Allocated to: | |
|------------------------------------|-----------------|
| Cash acquired | 232 |
| Other receivables and prepaid | 429 |
| Equipment | 37 |
| Exploration and evaluation assets | 11,370 |
| Accounts payable | (625) |
| Loan (repaid as at April 30, 2017) | (659) |
| NCI | (4,315) |
| Total consideration | \$ 6,469 |

On February 27, 2015, the Company, entered an agreement (the “Agreement”) with the shareholders of Apollo to acquire 60% of Apollo’s issued and outstanding common shares.

Apollo is a privately owned exploration company with certain mining concessions located in the State of Zacatecas, Mexico (the “Apollo Property”). Pursuant to the terms and conditions of the Agreement, the Company will earn the 60% interest by:

- i) Paying an aggregate of US\$250 to the shareholders of Apollo on the agreement approval date, March 22, 2016 (paid as at April 30, 2017); and
- ii) a further US\$250 (\$331) to the shareholders of Apollo (paid as at April 30, 2017);
- iii) Issuing a total of 6.7 million common shares (first installment 2.0 million common shares issued as at March 17, 2016) of the Company in installments over an 18 months period beginning on the March 22, 2016. The remaining 4.7 million common shares (\$4,233) was issued on May 2, 2017; and
- iv) Funding exploration expenditures of a minimum of US\$3,500 (criteria is met as at April 30, 2017) by advancing funds to Apollo on or before March 22, 2018 (the “Funding Commitment”); and
- v) Lending or arranging for a third party to loan, to Apollo, a minimum of US\$1,000 on or before March 22, 2017 from the closing date (the “Loan”). The Company shall not issue dividends until the financing and the Loan are fully paid. This criteria is met from the issuance of the \$1,625 convertible debenture (note 8(a)).
- vi) As part of the transaction, the Company issued 2,469,333 shares to holders of Apollo notes with a fair value of \$370, and 400,000 shares with a fair value of \$60 on March 17, 2016. As a result a total of \$430 transaction costs are included as the total consideration above. The \$850 advanced in the prior year was forgiven.

Subject to the terms and conditions set forth in the Agreement, the Company will pay an additional US\$100 (the value of these payments has not been recognized in the statement of financial position as at October 31, 2017 due to the level of uncertainty surrounding the conditions required for the payments) to the Apollo shareholders annually if all of the following conditions are satisfied:

- Apollo reaches a production of 250 tons per day on the Apollo Property;
- any portion of the Funding Commitment remains outstanding and payable on due date;
- any portion of the Loan remains outstanding and payable;
- the price of gold is over US\$1,100 per ounce; and
- the price of silver is over US\$17 per ounce.

The Company will grant a 1.5% net smelter royalty (“NSR”) on the Apollo Property to the shareholders of Apollo. The Company will have a right of first refusal on the NSR and on the remaining 40% interest in Apollo held by the Apollo shareholders.

On August 1, 2016, which was the date that the Company obtained control of Apollo, the Company consolidated Apollo’s statement of financial position and statement of profit and loss.

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b) Mineral interest in Caballo

The Company has accounted for the acquisition as an asset purchase and the purchase price allocation is summarized as follows:

| | |
|--|------------------|
| Cash payment – US\$10 million (b)(i)(ii)(iii) | 13,254 |
| Promissory note issuance – US\$2.5 million (b)(iv) | 2,901 |
| Transaction cost | 16 |
| Total consideration | \$ 16,171 |

Allocated to:

| | |
|---|------------------|
| Exploration and evaluation asset | 21,259 |
| Payment obligation assumed – US\$5.0 million (b)(v) | (5,088) |
| Total consideration | \$ 16,171 |

On May 11, 2016, the Company signed an agreement to acquire the Caballo Blanco Gold Project (“Caballo Blanco”) in Veracruz from Molimentales Del Noroeste, SA de CV, a subsidiary of Alio. Pursuant to the terms of the agreement, Candelaria will pay Molimentales a total of US\$12.5 million in cash and assume US\$5 million in liabilities in exchange for the project and all related rights and assets.

Pursuant to the terms of the agreement, the Company will acquire the Caballo Blanco project in exchange for cash payments to be paid over a period of twelve months as follows:

- i) US\$1,250 payable on signing of the agreement as a non-refundable deposit (paid as at April 30, 2017). Of the US\$1,250, US\$250 was paid directly from Credipresto, where a director of the Company is the president however is not in a position to control. (part of \$1,625 convertible debenture issuance, see note 7(a)).
- ii) US\$2,250 payable no later than 15 business days from the date of the agreement as an additional non-refundable deposit (paid as at April 30, 2017).
- iii) US\$6,500 payment upon closing, which is to occur on or before June 24, 2016 (US\$5,750 paid as at April 30, 2017). US\$750 (\$967 as at October 31, 2017) accrued as at October 31, 2017 until Alio settle a legal dispute with one of the concessions.
- iv) Issuance of a US\$2,500 (\$3,250) non-interest bearing secured promissory note due on the earlier occurrence of the Company receiving permits or July 20, 2017. The US\$2,500 (\$3,412) was repaid as at July 31, 2017.

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The Company has discounted this promissory note using a discount rate of 12% over the expected life of the promissory note:

| | | |
|---|-----------|--------------|
| Promissory note US\$2,500 | \$ | 3,250 |
| Impact from discount rate of 12% (over 1 years) | | (349) |
| Fair value at issuance | | 2,901 |
| Accretion expense – year ended April 30, 2017 | | 276 |
| Foreign exchange impact – year ended April 30, 2017 | | 162 |
| Promissory note US\$2,500 – as at April 30, 2017 | \$ | 3,339 |
| Accretion expense – period ended October 31, 2017 | | 73 |
| Repayment | | (3,412) |
| Promissory note US\$2,500 – as at October 31, 2017 | \$ | - |

- v) The Company agreed to assume a US\$5.0 million payment obligation owing to Goldgroup Mining Inc (“Goldgroup”). On August 18, 2016, the Company has settled a US\$5 million contingent payment to Goldgroup in exchange for US\$3.1 million in payments. Pursuant to the settlement, the Company has paid US\$2.5 million. This was paid directly from Credipresto; as a result, the Company issued a corresponding US\$2.5 million convertible debenture, see note 7(b). The remaining balance is US\$600 (\$807), to be paid upon SEMARNAT approval). As a result of the settlement, a gain of \$1,637 was recorded.

The Company has discounted this assumed liability using a discount rate of 12% over the 2 years of expected life of the liability:

| | | |
|---|-----------|----------------|
| Caballo Blanco – other assumed liability US\$5,000 | \$ | 6,383 |
| Impact from discount rate of 12% (over 2 years) | | (1,295) |
| Fair value at issuance | | 5,088 |
| Accretion expense | | 54 |
| Caballo Blanco – other assumed liability US\$5,000 – as at August 18, 2016 | \$ | 5,142 |
| Convertible debenture issued – US\$2,500 (see note 7(b)) | \$ | (3,195) |
| Caballo Blanco – newly issued assumed liability US\$600 | \$ | (766) |
| Impact from discount rate of 12% (over 2 years) | | 156 |
| Fair value - Caballo Blanco – newly issued assumed liability US\$600 | | (610) |
| Gain on settlement | \$ | 1,337 |

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| | |
|---|---------------|
| Opening - Caballo Blanco – newly issued assumed liability US\$600 | \$ 766 |
| Impact from discount rate of 12% (over 2 years) | (156) |
| Fair value at issuance | 610 |
| Accretion expense – year ended April 30, 2017 | 55 |
| Foreign exchange impact – year ended April 30, 2017 | 47 |
| Caballo Blanco – newly issued assumed liability US\$600 – as at April 30, 2017 | \$ 712 |
| Accretion expense – period ended October 31, 2017 | 40 |
| Foreign exchange impact – period ended October 31, 2017 | (42) |
| Caballo Blanco – newly issued assumed liability US\$600 – as at October 31, 2017 | \$ 710 |

- vi) Total Caballo Blanco acquisition payable as at October 31, 2017 was \$1,657 (April 30, 2017 - \$1,769) which consists of the fair value of the US\$600 (\$710 (April 30, 2017 - \$712), see (v)) assumed liability and the US\$750 (\$947 (April 30, 2017 - \$1,057), see (iii)) cash payment outstanding.

7 Convertible debentures

| | \$1.625 million convertible debenture (a) | US\$2.5 million convertible debenture (b) | Total |
|----------------------------------|--|--|-----------------|
| Opening – April 30, 2016 | \$ - | \$ - | \$ - |
| Issuance | 1,625 | 3,195 | 4,820 |
| Reclassification (c) | - | (3,195) | (3,195) |
| Equity portion | (130) | - | (130) |
| Equity portion – settlement | 80 | - | 80 |
| Debt settlement – shares | (1,022) | - | (1,022) |
| Accretion expense | 50 | 1,156 | 1,206 |
| Foreign exchange impact | - | (19) | (19) |
| Ending – April 30, 2017 | \$ 603 | \$ 1,137 | \$ 1,740 |
| Accretion expense | 18 | 605 | 623 |
| Foreign exchange impact | - | (115) | (115) |
| Debt settlement – shares | - | (1,627) | (1,627) |
| Ending – October 31, 2017 | \$ 621 | \$ - | \$ 621 |

- a) On June 7, 2016, pursuant to a private placement the Company raised \$1,625 through the issuance of a convertible note. The Company received \$1,300 in cash and \$325 (US\$250) was used to pay for part of the consideration for the Caballo Blanco acquisition (see note 6(b)(i)). The \$325 (US\$250) was paid directly from Credipresto to Alio. The note will bear interest at 6% annually, paid monthly and will be convertible into common shares of the Company for a period of 18 months at \$0.18 per share for the first 12 months, and

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\$0.10 per share for the remainder of the term. The Company may prepay the convertible note at any time during the initial 12-month term by paying the holders all remaining interest to maturity in addition to the principal amount.

Based on the discount factor of 12% over the loan life of 1.5 years, the equity portion was valued at \$130. Accretion for the debenture for nine months ended January 31, 2017 was \$42 (January 31, 2016 - \$Nil) related to this loan. For the nine months ended January 31, 2017, the Company accrued interest payable \$51 (April 30, 2016 - \$nil) for this convertible debenture.

On November 16, 2016, the Convertible note holder have applied to convert \$1 million (out of \$1.625 million) to 5,555,555 common shares of the Company at \$0.18 per share. The equity portion valued at \$80 was transferred to share capital. The carrying value of the convertible debenture \$942 was transferred to share capital.

- b) On August 18, 2016, pursuant to a private placement the Company raised US\$2.5 million (equivalent to \$3,195) through the issuance of a convertible note. The note will bear interest at 6% annually, paid monthly. The holder will have right, as its option, to convert all or part of the principal amount as converted to Canadian currency on a 1.3 CAD per 1 USD basis into units for a period of 24 months at \$0.465 per share prior to the maturity date. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of 18 months at an exercise price of \$0.75 per share. The conversion component does not meet the definition of equity as a fixed amount of foreign currency is not considered to represent a fixed amount of cash. The convertible note represents a hybrid instrument that contains a host debt contract and an embedded derivative liability. The Company has designated the entire hybrid instrument as a financial liability at fair value through profit or loss ("FVTPL").

On the date of issuance, August 18, 2016 (see (b)), the fair value on initial recognition of the entire hybrid instrument of \$7,924 differed from the transaction price of \$3,195 in cash consideration. The fair value on initial recognition of the convertible debenture was attributable entirely to the conversion option that were valued based on the Black-Scholes valuation model with the following assumptions – conversion price per share of \$0.465, fair value per share converted of \$1.02, volatility of 148%, risk free rate of 0.53%, expected life of 2 years; no fair value was attributable to the host debt contract. Since the fair value of the convertible instrument is not evidenced by a quoted price in an active market nor based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price of \$4,729 is deferred. After initial recognition, the Company shall recognize the deferred difference as a loss over the life of the debenture using a straight-line amortization method.

As at April 30, 2017, the convertible debenture was revaluated based on the following assumptions - conversion price per share of \$0.465, fair value per share converted of \$0.94, volatility of 177%, risk free rate of 0.53%, expected life of 1.3 years with no fair value attributable to the host debt contract. The fair value of the derivative was \$7,563, resulting in a change in fair value of \$361 for the year ended April 30, 2017 (2016 - \$nil)

September 14, 2017, the Company converted the US\$2,500 convertible debenture into 6,989,247 common shares and 3,494,523 share purchase warrants. As at the point of conversion, the amortized cost portion was \$1,627 while the derivative portion was \$4,530. The total balance of \$6,157 was reclassified into share capital upon conversion. The balance \$3,054 of Other – Fair Value Difference On Initial Recognition was fully amortized on September 14, 2017 upon conversion.

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| Convertible debenture – financial liability at FVTPL | Note | Carrying value |
|---|-------------|-----------------------|
| April 30, 2016 - opening | | \$ - |
| Transaction price in cash consideration | 7(b) | 3,195 |
| Fair value difference on initial recognition | 7(b) | 4,729 |
| Fair value of convertible debenture on issuance on August 18, 2016 | 7(b) | 7,924 |
| Revaluation for year ended April 30, 2017 | 7(b) | (361) |
| As at April 30, 2017 | | \$ 7,563 |
| Revaluation as at September 14, 2017 (conversion date) | | (3,033) |
| Reclassified to share capital upon conversion | | (4,530) |
| As at October 31, 2017 | | \$ - |

| Other – fair value difference on initial recognition | Note | Carrying value |
|--|-------------|-----------------------|
| April 30, 2016 - opening | | \$ - |
| Fair value difference – initial recognition | 7(b) | 4,729 |
| Amortization of fair value difference | | (1,675) |
| As at April 30, 2017 | | \$ 3,054 |
| Amortization of fair value difference – upon conversion September 14, 2017 | | (3,054) |
| As at October 31, 2017 | | \$ - |

8 Share Capital

- a) The Company's authorized share capital consists of an unlimited number of common shares without par value.
- b) On November 18, 2016, TSX Venture Exchange has approved a share consolidation of the outstanding share capital of the Company on the basis of every three (3) pre-consolidation common shares into (1) new post-consolidation common share.
- c) On May 2, 2017, the Company issued 4,666,666 related to the Apollo transaction (see note 6(a)(iii)).
- d) On July 6, 2017, the Company issued 16,666 for warrants exercised (exercise price \$0.75) for total proceeds of \$12.
- e) On July 31, 2017, pursuant to a private placement, a total of 10,120,000 common shares were sold to Agnico Eagle Mines Limited ("Agnico Eagle") at a price of \$0.965 per share for gross proceeds of \$9,765. The Company incurred \$181 of direct share issuance cost resulting net proceeds of \$9,584. As at April 30, 2017, Agnico Eagle owns 9.95% of all outstanding common shares of the Company.
- f) On September 14, 2017, the Company converted the US\$2,500 convertible debenture (note 7) into 6,989,247 common shares and 3,494,523 share purchase warrants.

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- g) Share purchase warrants (on a post-consolidation basis)

| | Warrants outstanding ('000) | Weighted average exercise price (CAD\$) |
|----------------------------------|-----------------------------|---|
| Balance – April 30, 2016 | 1,000 | \$0.165 |
| Grant | 9,652 | \$0.75 |
| Ending – April 30, 2017 | 10,652 | \$0.70 |
| Exercised | (16) | \$0.75 |
| Grant | 3,494 | \$0.75 |
| Ending – October 31, 2017 | 14,130 | \$0.70 |

As at October 31, 2017, the Company has the following share purchase warrant outstanding:

| Warrants outstanding ('000) | Exercise price (CAD\$) | Date of Grant | Date of Expiry |
|-----------------------------|------------------------|---------------|----------------|
| 1,000 | \$ 0.165 | 17-Mar-2016 | 17-Mar-2018 |
| 2,888 | 0.75 | 14-Jun-2016 | 14-Dec-2017 |
| 2,521 | 0.75 | 6-Jul-2016 | 6-Jan-2018 |
| 3,317 | 0.75 | 18-Aug-2016 | 18-Feb-2018 |
| 3,494 (see note 8(f)) | 0.75 | 14-Sep-2017 | 18-Feb-2018 |
| 910 | 0.75 | 13-Sep-2016 | 13-March-2018 |
| 14,130 | \$ 0.70 | | |

Subsequent to October 31, 2017, some of the warrants' expiry date were extended for a year (see note 15).

As at April 30, 2017, the Company has the following share purchase warrants outstanding:

| Warrants outstanding ('000) | Exercise price (CAD\$) | Date of Grant | Date of Expiry |
|-----------------------------|------------------------|---------------|----------------|
| 1,000 | \$ 0.165 | 17-Mar-2016 | 17-Mar-2018 |
| 2,888 | 0.75 | 14-Jun-2016 | 14-Dec-2017 |
| 2,521 | 0.75 | 6-Jul-2016 | 2-Jan-2018 |
| 3,333 | 0.75 | 18-Aug-2016 | 18-Feb-2018 |
| 910 | 0.75 | 13-Sep-2016 | 13-March-2018 |
| 10,652 | \$ 0.70 | | |

9 Share based compensation

The Company has a share purchase option plan which provides for equity participation in the Company by its directors, officers, employees, consultants and consultant companies through the acquisition of common shares pursuant to the grant of options to purchase shares. The option plan is administered by the Board of Directors. Options may be granted on such terms as the Board may determine within the limitations of the option plan and subject to the rules and policies of applicable regulatory authorities. The maximum aggregate

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number of shares reserved for issuance for options granted under the option plan is 10.16 million common shares. The exercise price for options granted may not be less than the market price of the shares on the day immediately preceding the date of the grant of the option.

| | October 31, 2017 | | April 30, 2017 | |
|---------------------------------|-----------------------------|------------------------------------|-----------------------------|------------------------------------|
| | Number of shares (000's) | Weighted average exercise price | Number of shares (000's) | Weighted average exercise price |
| Outstanding – beginning of year | 5,989 | \$ 0.66 | 1,315 | \$ 0.18 |
| Grant | - | - | 4,741 | 0.78 |
| Exercised | - | - | (67) | 0.15 |
| Outstanding – end of period | 5,989 | \$ 0.66 | 5,989 | \$ 0.66 |

The weighted average fair value of the options granted during the period ended October 31, 2017 was \$nil (April 30, 2017 - \$0.58) per option.

The following table discloses the number of options and vested options outstanding as at October 31, 2017:

| Number of options (‘000s) | Number of options vested (‘000s) | Weighted average remaining contractual life (years) | Exercise price | Expiry Date |
|------------------------------|-------------------------------------|---|----------------|-------------|
| 148 | 148 | 0.52 | \$0.30 | 8-Nov-2017 |
| 1,017 | 1,017 | 3.89 | \$0.15 | 22-Mar-2021 |
| 83 | 83 | 3.91 | \$0.15 | 31-Mar-2021 |
| 1,134 | 1,134 | 4.17 | \$0.45 | 4-Jul-2021 |
| 3,383 | 3,383 | 4.24 | \$0.90 | 27-Jul-2021 |
| 100 | 100 | 4.50 | \$0.90 | 31-Oct-2021 |
| 124 | 124 | 4.56 | \$0.90 | 23-Nov-2021 |
| 5,989 | 5,989 | 4.08 | \$0.66 | |

The following table discloses the number of options and vested options outstanding as at April 30, 2017:

| Number of options (‘000s) | Number of options vested (‘000s) | Weighted average remaining contractual life (years) | Exercise price | Expiry Date |
|------------------------------|-------------------------------------|---|----------------|-------------|
| 148 | 148 | 0.77 | \$0.30 | 8-Nov-2017 |
| 1,017 | 1,017 | 4.14 | \$0.15 | 22-Mar-2021 |
| 83 | 83 | 4.16 | \$0.15 | 31-Mar-2021 |
| 1,134 | 1,058 | 4.42 | \$0.45 | 4-Jul-2021 |
| 3,383 | 3,238 | 4.49 | \$0.90 | 27-Jul-2021 |
| 100 | 100 | 4.75 | \$0.90 | 31-Oct-2021 |
| 124 | 124 | 4.81 | \$0.90 | 23-Nov-2021 |
| 5,989 | 5,768 | 4.33 | \$0.66 | |

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The weighted average exercise price of vested options as at October 31, 2017 was \$0.66 (April 30, 2017 - \$0.72).

During the six months ended October 31, 2017, the Company recognized \$nil (2016 - \$2,592) as share-based compensation expense.

10 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

The Company incurred the following expenses with related parties during the six months ended October 31, 2017, are as follows:

| | Three months ended October 31, | | Six months ended October 31, | |
|----------------------------|--------------------------------|-------|------------------------------|-------|
| | 2017 | 2016 | 2017 | 2016 |
| Consulting fees | \$ 68 | \$ 30 | \$ 185 | \$ 46 |
| General and administration | 12 | 36 | 33 | 58 |
| Stock based compensation | - | 224 | - | 2,592 |

Professional fees were paid and accrued to firms of which one of the partners has been the Chief Financial Officer, Chief Executive Officer or President of the Company during 2017 and 2016. General and administration (rent, corporate service management) were paid and accrued to a firm of which one of the partners has been the President of the Company during the period. These expenses were measured at the exchange amounts agreed upon by the parties.

As at October 31, 2017 the Company had amounts payable of \$14 (April 30, 2017 - \$23) to these parties. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

11 Capital management

The capital of the Company consists of items included in shareholder's equity. The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in shareholders' equity, net of cash and cash equivalents as follows:

| | October 31, 2017 | April 30, 2017 |
|---------------------------------|------------------|----------------|
| Total equity for owners | \$ 33,723 | \$ 20,577 |
| Less: cash and cash equivalents | (3,271) | (904) |
| | 30,452 | 19,637 |

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at October 31, 2017, the Company expects its capital resources will support its normal operating requirements, planned development and exploration of its mineral properties for the next six months. There are no externally imposed capital requirements to which the Company has not complied.

12 Segment disclosures

The Company operates in one operating segment (mineral exploration) in two countries. Details of the investments in exploration and evaluation assets are disclosed in Note 6 and 14. The Company's assets by country are:

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| October 31, 2017 | Canada | Mexico | Total |
|---|------------|------------|------------|
| Cash and cash equivalent | \$ 3,182 | \$ 89 | \$ 3,271 |
| Accounts receivable and prepaid expense | 66 | 2,511 | 2,577 |
| | 3,248 | 2,600 | 5,848 |
| Equipment | - | 62 | 62 |
| Exploration and evaluation assets | - | 32,639 | 32,639 |
| Total assets | \$ 3,248 | \$ 35,301 | \$ 38,549 |
| Segment loss for the three months ended | \$ 166 | \$ (1,438) | \$ (1,272) |
| Segment loss for the six months ended | \$ (1,988) | \$ (1,813) | \$ (3,801) |

| October 31, 2016 | Canada | Mexico | Total |
|---|------------|-----------|------------|
| Cash and cash equivalent | \$ 2,755 | \$ 320 | \$ 3,075 |
| Accounts receivable and prepaid expense | 30 | 2 | 32 |
| | 2,785 | 322 | 3,107 |
| Advance to Apolo | - | 2,749 | 2,749 |
| Exploration and evaluation assets | - | 24,218 | 24,218 |
| Equipment | - | 59 | 59 |
| Total assets | \$ 2,785 | \$ 27,348 | \$ 30,133 |
| Segment loss for the three months ended | \$ (552) | \$ 1,805 | \$ 1,253 |
| Segment loss for the six months ended | \$ (3,156) | \$ 1,798 | \$ (1,358) |

13 Finance cost

| | Year ended October 31, | |
|--|------------------------|------|
| | 2017 | 2016 |
| Accretion expense – convertible debenture (note 7) | \$ 623 | \$ - |
| Accretion expense – promissory note (note 6) | 73 | - |
| Accretion expense – Caballo Blanco payable (note 6) | 39 | - |
| Accretion expense – deferred charges amortization (note 7) | 3,054 | - |
| Interest expense – convertible debenture (note 7) | 69 | - |
| Other | 5 | - |
| | \$ 3,863 | - |

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2017 and 2016

(Amount expressed in thousands of Canadian dollars, except where indicated)

(Unaudited)

14 Exploration expenses

| | Caballo Blanco | Apolo | Total |
|---|-----------------------|-----------------|-----------------|
| Salary, consulting and administration | \$ 855 | \$ 97 | \$ 952 |
| Consumables | 8 | 17 | 25 |
| Travel | 6 | 1 | 7 |
| Lab and analysis | 90 | 24 | 114 |
| Equipment maintenance and rental | 5 | 6 | 11 |
| Concession payments | 188 | 157 | 345 |
| Period ended October 31, 2017 | \$ 1,152 | \$ 302 | \$ 1,454 |
| Project to date – October 31, 2017 | \$ 1,628 | \$ 1,423 | \$ 3,051 |

During the period ended October 31, 2016, the Company incurred an exploration expense of \$168 on general project investigation and evaluation expense on various projects.

15 Subsequent event

On December 1, 2017, the Company made an application to TSX Venture Exchange to extend the exercise period for 1 year of certain warrants. The extension will be subjected to regulatory approval.

| Warrants outstanding ('000) | Exercise price (CAD\$) | Original Expiry | Extended Expiry |
|------------------------------------|-------------------------------|------------------------|------------------------|
| 2,888 | 0.75 | 14-Dec-2017 | 14-Dec-2018 |
| 2,154 | 0.75 | 6-Jan-2018 | 6-Jan-2019 |
| 6,811 | 0.75 | 18-Feb-2018 | 18-Feb-2019 |
| 777 | 0.75 | 13-March-2018 | 13-March-2019 |