



Candelaria Mining Corp.

Consolidated Financial Statements

For the year ended April 30, 2018 and 2017

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

Independent auditor's report

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To the Shareholders of Candelaria Mining Corp.

We have audited the accompanying consolidated financial statements of Candelaria Mining Corp., which comprise the consolidated statements of financial position as at April 30, 2018 and April 30, 2017 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Candelaria Mining Corp. as at April 30, 2018 and April 30, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net and comprehensive loss of \$8,790,000 and negative cashflows from operations of \$5,102,000 for the year ended April 30, 2018. As at April 30, 2018, the Company had an accumulated deficit of \$16,274,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada
August 17, 2018



Chartered Professional Accountants

Candelaria Mining Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amount expressed in thousands of Canadian dollars, except where indicated)

	Note	April 30, 2018	April 30, 2017
Assets			
Current assets			
Cash and cash equivalents	5	\$ 2,109	\$ 940
Other receivables and prepaid expenses	4,5	2,498	2,175
		4,607	3,115
Equipment	6	42	87
Other – fair value difference on initial recognition	8	-	3,054
Exploration and evaluation assets	7	31,649	32,629
Total assets		\$ 36,298	\$ 38,885
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 376	\$ 700
Caballo Blanco Acquisition Payable	5,7	1,734	1,769
Promissory note	5	-	3,339
		2,110	5,808
Convertible debenture – fair value through profit and loss	8	-	7,563
Convertible debentures – amortized cost	8	-	1,740
Total liabilities		\$ 2,110	\$ 15,111
Shareholders' equity			
Share capital		44,645	22,068
Reserves		2,955	3,195
Share consideration – to be issued	9(b)	-	4,233
Deficit		(16,274)	(8,919)
		31,326	20,577
Non-controlling interest (“NCI”)		2,862	3,197
		34,188	23,774
Total liabilities and shareholders' equity		\$ 36,298	\$ 38,885

Nature of operations and going concern (note 1)
Subsequent events (note 18)

Approved by the Board of Directors

_____ “Ramon Perez” Director _____ “Javier Reyes” Director

Candelaria Mining Corp.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	Notes	Year ended April 30,	
		2018	2017
General and administration expenses			
Amortization		\$ (45)	\$ (29)
Exploration expense	15	(1,821)	(1,597)
Consulting and professional fees		(947)	(517)
Salary and wages		(435)	(465)
General and administration		(598)	(339)
Investor relations and development		(66)	(120)
Regulatory and filing fees		(55)	(83)
Travel		(75)	(82)
Share-based compensation	10	(936)	(2,900)
		(4,978)	(6,132)
Other (expenses) income, net			
Finance cost	14	(3,894)	(3,620)
Finance income		2	4
Gain on fair value of convertible debenture	8	1,352	361
Gain on settlement of payment obligation		-	1,337
Foreign exchange loss		(179)	(610)
Other		7	-
Net loss		(7,690)	(8,660)
Other comprehensive loss ("OCI")			
Items that may be reclassified to profit or loss			
Loss on translation of foreign operations		(1,100)	(107)
Total comprehensive loss		(8,790)	(8,767)
Net loss income attributable to:			
Owners of the Company		(7,355)	(7,542)
NCI		(335)	(1,118)
Total net loss		(7,690)	(8,660)
OCI attributable to:			
Owners of the Company		(1,100)	(107)
NCI		-	-
Total other comprehensive loss		(1,100)	(107)
Total comprehensive loss attributable to:			
Owners of the Company		(8,455)	(7,649)
NCI		(335)	(1,118)
Total comprehensive loss		(8,790)	(8,767)
Loss per share – basic and diluted		\$ (0.08)	\$ (0.10)
Weighted average shares outstanding (000's) – basic and diluted		105,775	73,430
Total shares issued and outstanding (000's)		111,897	86,874

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

Candelaria Mining Corp.

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	RSU 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	9(d)	10,120	9,584	-	-	-	-	-	-	9,584	-	9,584
Share issuance – warrants exercised	9(c)	1,016	178	-	-	-	-	-	-	178	-	178
Share issuance – convertible debenture	9(e)	9,072	8,512	-	-	-	(50)	-	-	8,462	-	8,462
Share issuance – option exercised	9(f)	148	70	(26)	-	-	-	-	-	44	-	44
Cumulative translation		-	-	-	-	(1,110)	-	-	-	(1,110)	-	(1,110)
Stock based compensation		-	-	198	738	-	-	-	-	936	-	936
Apolo acquisition	9(b)	4,667	4,233	-	-	-	-	(4,233)	-	-	-	-
Net loss for the period		-	-	-	-	-	-	-	(7,355)	(7,355)	(335)	(7,690)
As at April 30, 2018		111,897	\$ 44,645	3,424	\$ 738	\$ (1,207)	\$ -	\$ -	\$ (16,274)	\$ 31,326	\$ 2,862	\$ 34,188

	Notes	Shares ('000) Note 2	Share capital	Reserves	Translation Reserves	Equity Portion - Convertible Debenture	Share consideration to be issued	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	16,202	214	-	-	-	177	-	16,593	-	16,593
Option exercised		67	17	(7)	-	-	-	-	-	10	-	10
Share issuance – convertible debenture		5,555	1,022	-	-	(80)	-	-	-	942	-	942
Stock based compensation		-	-	2,900	-	-	-	-	-	2,900	-	2,900
Convertible debenture issuance		-	-	-	-	130	-	-	-	130	-	130
Cumulative translation		-	-	-	(107)	-	-	-	-	(107)	-	(107)
Apolo acquisition - NCI		-	-	-	-	-	4,233	-	-	4,233	4,315	8,548
Net loss for the period		-	-	-	-	-	-	-	(7,542)	(7,542)	(1,118)	(8,660)
As at April 30, 2017		86,874	\$ 22,068	\$ 3,252	\$ (107)	\$ 50	\$ 4,233	-	\$ (8,919)	\$ 20,577	\$ 3,197	\$ 23,774

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

Candelaria Mining Corp.

CONSOLIDATED STATEMENTS of CASH FLOWS

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

	Note	Year ended April 30,	
		2018	2017
Cash used from operating activities			
Net loss for the period		\$ (7,690)	\$ (8,660)
Items not affecting cash			
Amortization	6	45	29
Finance cost – accreted interest	8	3,795	3,214
Unrealized foreign exchange gain		(93)	51
Gain on fair value of convertible debenture	8	(1,352)	(361)
Gain on settlement of payment obligation	7(b)(v)	-	(1,337)
Share-based compensation charges	10	936	2,900
		(4,359)	(4,164)
Change in non-cash operating working capital			
Increase in accounts receivable and prepaid expense		(323)	(1,557)
(Decrease) increase in accounts payable and accruals		(420)	74
		(5,102)	(5,647)
Cash flows used in investing activities			
Expenditure – equipment		-	(79)
Expenditure – acquisition of Caballo Blanco		-	(11,968)
Expenditure – acquisition of Apolo		-	(331)
Cash acquired – acquisition of Apolo		-	232
		-	(12,146)
Cash flows from (used in) financing activities			
Proceeds from private placement, net	9(d)	9,584	16,416
Proceeds from option exercised	9(c)	44	10
Proceeds from warrants exercised		178	-
Repayment – convertible debenture	7(b)(iv)	-	(659)
Repayment – promissory note		(3,413)	-
Proceeds from convertible debenture		-	1,300
Proceeds collected from subscription receivable		-	-
		6,393	17,067
Increase (decrease) in cash and cash equivalents		1,291	(726)
Foreign exchange impact on cash and cash equivalents		(122)	82
Cash and cash equivalents – beginning of year		940	1,584
Cash and cash equivalents – end of year		2,109	940
Cash		\$ 2,075	\$ 904
Short term investment		34	36
Cash and cash equivalents – end of year		\$ 2,109	\$ 940

Supplemental cash flow information (note 17)

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

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 7(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 7(b)).

Going concern

These 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 April 30, 2018, the Company had an accumulated deficit of \$16,274 (April 30, 2017 - \$8,919). For the year ended April 30, 2018, the Company incurred a net and comprehensive loss of \$7,690 (April 30, 2017 - \$8,660) and negative cashflows from operations of \$5,103 (April 30, 2017 - \$5,647). 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 indicate the existence of material uncertainties that creates significant doubt about the Company’s ability to continue as a going concern. These 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 consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Canadian dollars.

The financial statements were authorized for issue on August 17, 2018 by the directors of the Company.

Use of estimates and judgements

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates primarily relate to share-based transaction valuations, fair values of financial instruments and the recoverability of deferred income tax assets. Actual results could differ from those estimates. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 1 relating to going concern.

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

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 7) were 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.

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.

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

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. For 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 April 30, 2018 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

Basis of consolidation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The policies set out below were consistently applied to all periods presented. These consolidated financial statements were approved and authorized for issue by the Board of Directors. These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase.

Exploration and Evaluation Expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes; but is not limited to

- Exploratory drilling and sampling
- Surveying transportation and infrastructure requirement
- Gathering exploration data through geophysical studies

The Company capitalizes significant direct costs of acquiring resource property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Once the legal right to explore has been acquired, exploration and evaluation expenditures is charged to profit or loss as incurred, unless management concludes that a future economic benefit is more likely than not to be realized. These costs include materials used, surveying costs, drilling costs, drilling costs and payments made to contractors.

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

Exploration costs incurred prior to the determination of economically recoverable reserves are expensed as “exploration costs” in the consolidated statement of loss and comprehensive loss

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge title to all of its properties is in good standing.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of the estimated recoverable amount, are written off to the consolidated statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined and a development decision made, the property is considered to be a mine under development. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Plant and Equipment

Plant and equipment are recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. Costs of additions and improvements are capitalized. An item of plant and equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

For transportation, computer and other equipment, the straight-line method is also applied over the estimated useful lives of the assets:

	Years
Mining equipment	3-4
Vehicles	3-4
Office equipment	3-4
Computer equipment	2-3
Computer software	2-3

Foreign currencies

These consolidated financial statements are presented in Canadian dollars (CAD). The functional currency of the Company and its controlled entities is measured using the currency of the primary economic environment in which that entity operates.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the Statement of Loss and Comprehensive Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Compound financial instruments (convertible debenture)

Compound financial instruments issued by the Company comprise convertible notes that can be converted to common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that a reimbursement will be received and the amount receivable can be measured reliably.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category involves financial instruments held for the purpose of selling them in the short term. All of the financial instruments in this category meet the definition of financial assets held for trading. Derivatives are included in this category, unless they are designated as hedges. The instruments classified in this category are classified in current assets. The financial instruments included in this category are initially recognized at fair value and the transaction costs are expensed to the Statement of Loss and Comprehensive Loss. Subsequently, financial assets at fair value through profit or loss are measured at fair value and all gains and losses, realized and unrealized, measured on the basis of market transactions, are recognized directly in the Statement of Loss and Comprehensive Loss. As at April 30, 2018 and 2017, the Company has no financial instruments classified as fair value through profit or loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has reported cash and other receivables in this category.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the Statement of Loss and Comprehensive Loss. The Company has no held to maturity investments as at April 30, 2018 and 2017.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is reclassified from other comprehensive income to profit or loss in the Statement of Loss and Comprehensive Loss. The Company has no available-for-sale assets as at April 30, 2018 and 2017.

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

Impairment

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the Statement of Loss and Comprehensive Loss.

Other financial liabilities

This category includes accounts payable and amounts due to related parties, all of which are measured at amortized cost.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Loss and Comprehensive Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Contingently issuable or returnable shares are excluded from the determination of the weighted average number of shares outstanding.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at

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the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Restricted share units (“RSU”)

RSU to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the RSU reserve. The fair value of RSU is determined using the trading price on the date of issuance of the RSU. The number of RSU expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Share Issuance Costs

Share issue costs, which includes commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

Valuation of Equity Units Issued in a Private Placement

Shares and warrants issued as private placement units are measured using the residual value method whereby value is first allocated to the common shares component based on its fair value with the residual value being attributed to the warrant unit.

The fair value of finder’s warrants are calculated based on the Black-Scholes valuation model.

Non-controlling interest (“NCI”)

Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and represent the outside interest’s share of the carrying values of the subsidiaries. Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired as at the date of acquisition and are presented immediately after the equity section of the consolidated balance sheet. When the subsidiary company issues its own shares to outside interests and does not result in a loss of control, a dilution gain or loss arises as a result of the difference between the Company’s share of the proceeds and the carrying value of the underlying equity, an equity transaction, is included in equity.

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.

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 IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the

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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 has analyzed the impact of adopting IFRS 9 and IFRS 15 and anticipates that there will be no material changes as a result of adopting these standards.

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.

The Company has not yet completed the process of assessing the impact of IFRS 16 will have on its consolidated financial statements, or whether to early adopt this new requirement.

4 Other receivables and prepaid expenses

	April 30, 2018	April 30, 2017
Other receivable	\$ 59	\$ 147
IVA receivables*	2,411	1,784
Prepaid expenses	28	244
	\$ 2,498	\$ 2,175

*IVA receivables is value added tax receivables in Mexico which generally applies to all imports, supplies of goods, and the provision of services by a taxable person unless specifically exempted by a particular law. The tax is imposed by the federal government of Mexico and ordinarily applies on each level of the commercialization chain.

5 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

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	April 30, 2018		April 30, 2017	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents ⁽¹⁾	2,109	2,109	940	940
Other receivables ⁽¹⁾	59	59	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⁾	376	376	700	700
Caballo Blanco acquisition payable ⁽¹⁾	1,734	1,734	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 12. 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 Canadian dollars. Fluctuations of the operating currencies in relation to the Canadian 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.

The Company's financial assets and liabilities as at April 30, 2018 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Canadian Dollars	US Dollars	Mexico Pesos	Total
Financial assets				
Cash and cash equivalent	\$ 50	\$ 1,949	\$ 110	\$ 2,109
Other receivables	1	-	2,438	2,439
	51	1,949	2,548	4,548
Financial liabilities				
Accounts payables and accrued liabilities	(297)	(3)	(100)	(400)
Caballo Blanco Acquisition Payable	-	(1,734)	-	(1,734)
Net financial (liabilities) assets	\$ (246)	\$ 212	\$ 2,448	\$ 2,413

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 April 30, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$21 (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 \$245 (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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April 30, 2018	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 376	\$ -
Caballo Blanco Acquisition Payable	1,734	-
	\$ 2,110	\$ -

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 Equipment

	Opening, April 30, 2016	Purchases	Ending, April 30, 2017, April 30, 2018
Vehicles	\$ -	\$ 47	\$ 47
Office	-	26	26
Computer	-	43	43
Total	\$ -	\$ 116	\$ 116

	Accumulated Amortization – April 30, 2016	Amortization	Accumulated Amortization - April 30, 2017	Amortization	Accumulated Amortization - April 30, 2018
Vehicles	\$ -	\$ 6	\$ 6	\$ 18	\$ 24
Office	-	7	7	10	17
Computer	-	16	16	17	33
Total	\$ -	\$ 29	\$ 29	\$ 45	\$ 74

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Net book value – April 30, 2018	Net book value – April 30, 2017
Vehicles	\$ 23	\$ 41
Office	9	19
Computer	10	27
Total	\$ 42	\$ 87

For the year ended April 30, 2018, the Company paid \$nil (2017 - \$79) in equipment. The remaining balance of \$nil (2017 - \$37) of equipment were acquired from the Apolo acquisition (note 7(a)).

7 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	(590)	(389)	(980)
April 30, 2018	\$ 10,780	\$ 20,870	\$ 31,649

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 Apolo to acquire 60% of Apolo’s issued and outstanding common shares.

Apolo is a privately owned exploration company with certain mining concessions located in the State of Zacatecas, Mexico (the “Apolo 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 Apolo 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 Apolo (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 Apolo on or before March 22, 2018 (the “Funding Commitment”); and
- v) Lending or arranging for a third party to loan, to Apolo, 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 7(a)).
- vi) As part of the transaction, the Company issued 2,469,333 shares to holders of Apolo 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 January 31, 2018 due to the level of uncertainty surrounding the conditions required for the payments) to the Apolo shareholders annually if all of the following conditions are satisfied:

- Apolo reaches a production of 250 tons per day on the Apolo 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 Apolo Property to the shareholders of Apolo. The Company will have a right of first refusal on the NSR and on the remaining 40% interest in Apolo held by the Apolo shareholders.

On August 1, 2016, which was the date that the Company obtained control of Apolo, the Company consolidated Apolo’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, Mexico 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 the \$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 (\$963 as at April 30, 2018) accrued as at April 30, 2018 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 April 30, 2018.

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 April 30, 2018		73
Repayment		(3,412)
Promissory note US\$2,500 – as at April 30, 2018	\$	-

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- 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
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 April 30, 2018		40
Foreign exchange impact – period ended April 30, 2018		19
Caballo Blanco – newly issued assumed liability US\$600 – as at April 30, 2018	\$	771

- vi) Total Caballo Blanco acquisition payable as at April 30, 2018 was \$1,734 (April 30, 2017 - \$1,769) which consists of the fair value of the US\$600 (\$771 (April 30, 2017 - \$712), see (v)) assumed liability and the US\$750 (\$963 (April 30, 2017 - \$1,057), see (iii)) cash payment outstanding.

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8 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	22	605	627
Foreign exchange impact	-	(115)	(115)
Debt settlement – shares	(625)	(1,627)	(2,252)
Ending – April 30, 2018	\$ -	\$ -	\$ -

- 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 7(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 \$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 April 30, 2017 was \$42 related to this loan. For the year ended April 30, 2017, the Company accrued interest payable \$51 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.

On December 21, 2017, the Convertible note holder applied to convert the remaining \$625 to 2,083,333 common shares of the Company at \$0.18 per share. The equity portion valued at \$50 was transferred to share capital. The carrying value of the convertible debenture \$625 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 amortized cost and 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

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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 re-valued 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.

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 \$6,179. The total balance of \$7,806 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.

Convertible debenture – financial liability at FVTPL	Note	Carrying value
April 30, 2016 - opening		\$ -
Transaction price in cash consideration	8(b)	3,195
Fair value difference on initial recognition	8(b)	4,729
Fair value of convertible debenture on issuance on August 18, 2016	8(b)	7,924
Revaluation for year ended April 30, 2017	8(b)	(361)
As at April 30, 2017		\$ 7,563
Revaluation as at September 14, 2017 (conversion date)		(1,384)
Reclassified to share capital upon conversion		(6,179)
As at April 30, 2018		\$ -

Other – fair value difference on initial recognition	Note	Carrying value
April 30, 2016 - opening		\$ -
Fair value difference – initial recognition	8(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 April 30, 2018		\$ -

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

9 Share Capital

- a) The Company's authorized share capital consists of an unlimited number of common shares without par value.
- b) On May 2, 2017, the Company issued 4,666,666 common shares related to the Apollo transaction (see note 8(b)(iii)).
- c) On July 6, 2017, the Company issued 16,666 common shares for warrants exercised (exercise price \$0.75) for total proceeds of \$12.
- d) 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, 2018, Agnico Eagle owns 9.04% (April 30, 2017 – 9.95%) of all outstanding common shares of the Company.
- e) On September 14, 2017, the Company converted the US\$2,500 convertible debenture (note 8) into 6,989,247 common shares and 3,494,523 share purchase warrants.
- f) On November 8, 2017, 148,000 stock options were exercised at a price of \$0.30 per common share.
- g) On December 21, 2017, the Convertible note holder converted the remaining \$625 to 2,083,333 common shares (see note 8(a)).
- h) On December 22, 2017, the Company got approval from the TSX Venture Exchange to extend the exercise period for 1 year of certain warrants.
- i) On April 9, 2018, 1,000,000 share purchase warrants were exercised at a price of \$0.165 per common share.
- j) On April 27, 2018, the Company made an application to the TSX Venture Exchange to amend the exercise price of an aggregate of 12,632,398 outstanding common share purchase warrants (the "Warrants") issued pursuant to two private placements that completed in 2016. The Warrants will be repriced from \$0.75 to \$0.60 as follows:

Warrants outstanding ('000)	Exercise price (CAD\$)	Original Expiry	Extended Expiry
2,888	0.60	14-Dec-2017	14-Dec-2018
2,154	0.60	6-Jan-2018	6-Jan-2019
6,811	0.60	18-Feb-2018	18-Feb-2019
777	0.60	13-March-2018	13-March-2019

- k) 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	(1,016)	\$0.75
Grant	3,494	\$0.75
Expired	(500)	\$0.75
Ending – April 30, 2018	12,630	\$0.60

Candelaria Mining Corp.

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

As at April 30, 2018, the Company has the following share purchase warrant outstanding:

Warrants outstanding ('000)	Exercise price (CAD\$)	Date of Grant	Date of Expiry
2,888 (see note 9(j))	\$ 0.60	14-Jun-2016	14-Dec-2018
2,154(see note 9(j))	0.60	6-Jul-2016	6-Jan-2019
3,317 (see note 9(j))	0.60	18-Aug-2016	18-Feb-2019
3,494 (see note 9(j))	0.60	14-Sep-2017	18-Feb-2019
777 (see note 9(j))	0.60	13-Sep-2016	13-March-2019
12,630	\$ 0.60		

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		

10 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 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.

On March 27, 2018, the Company granted stock options and restricted share units to certain officers and directors of the Company.

Options to purchase up to 750,000 common shares were granted to an officer of the Company, pursuant to the Company's stock option plan, exercisable at a price of \$0.68 per common share. The stock options have a term of 5 years and vest in stages with 1/3 vesting immediately on the date of grant and the remainder to vest 1/3 every on June 27, 2018 and September 27, 2018. The fair value of the share options was estimated at \$381 on the date of grant using the Black-Scholes option pricing model, with the following assumptions: expected option life of 5 years, expected stock price volatility 124%, forfeiture rate of 0%, dividend payment during life of option was nil, risk free interest rate 2.03%. Stock based compensation expense related to this option grant for the year ended April 30, 2018 was \$198.

In addition, 1,925,000 restricted share units ("RSUs") were awarded to officers and directors pursuant to the Company's restricted share unit plan. The RSUs have various vesting terms ranging from immediate vesting, vesting in stages with 1/3 vesting immediately on the date of grant and the remainder to vest 1/3 every three months from the date of grant, and vesting in stages with 1/3 vesting immediately

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

on the date of grant and the remainder to vest 1/3 every six months from the date of grant. The share based expense related to the RSU grant for the year ended April 30, 2018 was \$738.

	April 30, 2018		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	750	0.68	4,741	0.78
Exercised	(148)	(0.30)	(67)	0.15
Outstanding – end of period	6,591	\$ 0.67	5,989	\$ 0.66

The weighted average fair value of the options granted during the period ended April 30, 2018 was \$nil (April 30, 2017 - \$0.58) per option.

The following table discloses the number of options and vested options outstanding as at April 30, 2018:

Number of options (000s)	Number of options vested (000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
1,017	1,017	3.39	\$0.15	22-Mar-2021
83	83	3.41	\$0.15	31-Mar-2021
1,134	1,134	3.67	\$0.45	4-Jul-2021
3,383	3,383	3.74	\$0.90	27-Jul-2021
100	100	4.00	\$0.90	31-Oct-2021
124	124	4.06	\$0.90	23-Nov-2021
750	250	4.91	\$0.68	27-Mar-2023
6,591	6,091	3.81	\$0.67	

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	

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

The weighted average exercise price of vested options as at April 30, 2018 was \$0.67 (April 30, 2017 - \$0.66).

11 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 nine months ended April 30, are as follows:

	April 30, 2018	April 30, 2017
Professional fees	\$ 67	\$ 25
Management fee	438	105
General and administration	33	90
Stock based compensation	936	2,657

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 2018 and 2017. Management fees were paid and accrued to firms of which one of the partners has been the Chief Executive Officer, President of the Company or a Director/Executive. 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 April 30, 2018 the Company had amounts payable of \$nil (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.

12 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:

	April 30, 2018	April 30, 2017
Total equity for owners	\$ 31,326	\$ 20,577
Less: cash and cash equivalents	(2,109)	(904)
	\$ 29,217	\$ 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 April 30, 2018, 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.

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

13 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 7 and 15. The Company's assets by country are:

April 30, 2018	Canada	Mexico	Total
Cash and cash equivalent	\$ 1,999	\$ 110	\$ 2,109
Accounts receivable and prepaid expense	52	2,446	2,498
	2,051	2,556	4,607
Equipment	-	42	42
Exploration and evaluation assets	-	31,649	31,649
Total assets	\$ 2,051	\$ 34,247	\$ 36,298
Segment loss for the year ended	\$ (5,269)	\$ (2,421)	\$ (7,690)

April 30, 2017	Canada	Mexico	Total
Cash and cash equivalent	\$ 686	\$ 254	\$ 940
Accounts receivable and prepaid expense	227	1,948	2,175
	913	2,202	3,115
Deferred charges	3,054	-	3,054
Exploration and evaluation assets	-	32,629	32,629
Equipment	-	87	87
Total assets	\$ 3,967	\$ 34,918	\$ 38,885
Segment loss for the year ended	\$ (6,828)	\$ (1,832)	\$ (8,660)

14 Finance cost

	Year ended April 30,	
	2018	2017
Accretion expense – convertible debenture (note 8)	\$ 627	\$ 1,206
Accretion expense – promissory note (note 7)	73	276
Accretion expense – Caballo Blanco payable (note 7)	39	111
Accretion expense – fair value differential amortization (note 8)	3,054	1,675
Interest expense – convertible debenture (note 8)	95	199
Other	6	153
	\$ 3,894	\$ 3,620

Candelaria Mining Corp.

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For the year ended April 30, 2018 and 2017

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

15 Exploration expenses

	Caballo Blanco	Apolo	Total
Salary, consulting and administration	\$ 1,126	\$ 142	\$ 1,268
Consumables	28	11	39
Travel	14	4	18
Lab and analysis	96	31	127
Equipment maintenance and rental	2	7	9
Concession payments	165	195	360
Period ended April 30, 2018	\$ 1,431	\$ 390	\$ 1,821
Project to date – April 30, 2018	\$ 1,907	\$ 1,511	\$ 3,418

During the period ended April 30, 2017, the Company incurred an exploration expense on general project investigation and evaluation expense on various projects:

	Caballo Blanco	Apolo	Total
Salary, consulting and	\$ 447	\$ 710	\$ 1,157
Consumables	8	16	24
Travel	13	4	17
Lab and analysis	6	48	54
Equipment maintenance and	2	32	34
Concession payments	-	311	311
Year ended April 30, 2017	\$ 476	\$ 1,121	\$ 1,597

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2018 and 2017

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

16 Tax provision

	Year ended April 30,	
	2018	2017
Net loss	\$ 7,690	\$ 8,660
Canadian basic statutory tax rate	26.0%	26.0%
Expected income tax recovery	(2,026)	(2,251)
Impact of tax rate changes and other	(126)	(75)
Non-deductible item	1,053	1,511
Impact from acquisition of assets	-	(432)
Other	(155)	(120)
Foreign exchange	83	-
Change in deferred tax assets not recognized	1,170	1,367
Income tax recovery	\$ -	\$ -
	As at April,	
	2018	2017
Deferred income tax assets		
Share issuance cost and other	\$ 136	\$ 153
Non-capital losses	2,689	1,501
	2,825	1,654
Deferred tax assets not recognized	(2,825)	(1,654)
Deferred income tax assets	\$ -	\$ -

The Company has non-capital losses of approximately \$4,006 (2016 - \$2,060) to reduce future income tax in Canada which expire between year 2031 and year 2037.

In Mexico, the Company has losses of approximately \$5,400 (2016 - \$3,200) to reduce future income tax in Mexico which expire between 2026 and 2027.

Candelaria Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

17 Supplemental cash flow information

	Year ended April 30,	
	2018	2017
Promissory note issue for acquisition of Caballo Blanco – US\$2,500		2,901
Caballo Blanco acquisition - convertible debenture issuance – US\$250		325
Caballo Blanco acquisition - contingent liability assumed		5,088
Caballo Blanco acquisition - convertible debenture issuance		3,195
Caballo Blanco acquisition – deferred charges		3,054
Caballo Blanco acquisition payment accrued – US\$750		975
Apolo acquisition – share insurance		4,333
Apolo acquisition – other receivables and prepaid acquired		429
Apolo acquisition – accounts payables and debt inherited		1,284
Apolo acquisition – equipment acquired		37
Issued shares from convertible debenture	8,462	942
Convertible debenture issuance – equity portion	50	130
Warrants issued – private placement		214

18 Subsequent event

On May 9, 2018, 1,025,000 shares were issued related to these RSUs vested (note 10).