



## **Candelaria Mining Corp.**

Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2018 and 2017

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

(unaudited)

**NOTICE**

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS  
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED JULY 31, 2018**

The first quarter financial statements for the three months ended July 31, 2018 and 2017 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)

	Note	July 31, 2018	April 30, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 1,357	\$ 2,109
Other receivables and prepaid expenses	4,5	2,726	2,498
		4,083	4,607
Equipment		29	42
Exploration and evaluation assets	6	32,768	31,649
Total assets		\$ 36,880	\$ 36,298
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	\$ 421	\$ 376
Caballo Blanco Acquisition Payable	5,6	1,758	1,734
Total liabilities		\$ 2,179	\$ 2,110
<b>Shareholders' equity</b>			
Share capital		44,645	44,645
Reserves		4,581	2,955
Deficit		(17,347)	(16,274)
		31,879	31,326
Non-controlling interest ("NCI")		2,822	2,862
		34,701	34,188
Total liabilities and shareholders' equity		\$ 36,880	\$ 36,298

*Nature of operations and going concern (note 1)*

### Approved by the Board of Directors

\_\_\_\_\_  
"Ramon Perez" Director

\_\_\_\_\_  
"Javier Reyes" Director

The accompanying notes are an integral part of these 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)

	Notes	Three months ended July 31,	
		2018	2017
<b>General and administration expenses</b>			
Amortization		\$ (13)	\$ (12)
Exploration expense	13	(232)	(622)
Consulting and professional fees		(290)	(501)
Salary and wages		(180)	(195)
General and administration		(85)	(138)
Investor relations and development		-	(56)
Regulatory and filing fees		(4)	(2)
Travel		(16)	(27)
Share-based compensation	8	(405)	-
		(1,225)	(1,553)
<b>Other (expenses) income, net</b>			
Finance cost	12	-	(1,166)
Gain on settlement of payment obligation		-	695
Foreign exchange gain (loss)		112	(505)
<b>Net loss</b>		(1,113)	(2,529)
<b>Other comprehensive loss (“OCI”)</b>			
<b>Items that may be reclassified to profit or loss</b>			
Gain on translation of foreign operations		1,221	103
<b>Total comprehensive income (loss)</b>		108	(2,426)
<b>Net loss income attributable to:</b>			
Owners of the Company		(1,073)	(2,302)
NCI		(40)	(227)
<b>Total net loss</b>		(1,113)	(2,529)
<b>OCI attributable to:</b>			
Owners of the Company		1,221	103
NCI		-	-
<b>Total other comprehensive loss</b>		1,221	103
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		148	(2,199)
NCI		(40)	(227)
<b>Total comprehensive loss</b>		108	(2,426)
<b>Loss per share – basic and diluted</b>		\$ (0.01)	\$ (0.02)
<b>Weighted average shares outstanding (000’s) – basic and diluted</b>		112,641	97,159
<b>Total shares issued and outstanding (000’s)</b>		112,722	101,677

The accompanying notes are an integral part of these 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	RSU Reserves	Translation reserves	Equity portion - convertible debenture	Share consideration to be issued	Deficit	Total equity for owners	NCI	Total equity
<b>Balance as at April 30, 2018</b>		111,897	\$ 44,645	\$ 3,424	\$ 738	\$ (1,207)	\$ -	\$ -	\$ (16,274)	\$ 31,326	\$ 2,862	\$ 34,188
Cumulative translation		-	-	-	-	1,221	-	-	-	1,221	-	1,221
Stock based compensation	8	825	-	71	334	-	-	-	-	405	-	405
Net loss for the period		-	-	-	-	-	-	-	(1,073)	(1,073)	(40)	(1,113)
<b>As at July 31, 2018</b>		112,722	\$ 44,645	\$ 3,495	\$ 1,072	\$ 14	\$ -	\$ -	\$ (17,347)	\$ 31,879	\$ 2,822	\$ 34,701

	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
<b>Balance as at April 30, 2017</b>		86,874	\$ 22,068	\$ 3,252	\$ -	\$ (107)	\$ 50	\$ 4,233	\$ (8,919)	\$ 20,577	\$ 3,197	\$ 23,774
Share issuance – private placement, net		10,120	9,584	-	-	-	-	-	-	9,584	-	9,584
Option exercised		16	12	-	-	-	-	-	-	12	-	12
Cumulative translation		-	-	-	-	103	-	-	-	103	-	103
Apolo acquisition - NCI		4,667	4,233	-	-	-	-	(4,233)	-	-	-	-
Net loss for the period		-	-	-	-	-	-	-	(2,302)	(2,302)	(227)	(2,529)
<b>As at July 31, 2017</b>		101,677	\$ 35,897	\$ 3,252	\$ -	\$ (4)	\$ 50	\$ -	\$ (11,221)	\$ 27,974	\$ 2,970	\$ 30,944

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

# Candelaria Mining Corp.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS of CASH FLOWS

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

	Note	Three months ended July 31,	
		2018	2017
<b>Cash used from operating activities</b>			
Net loss for the period		\$ (1,113)	\$ (2,529)
Items not affecting cash			
Amortization		13	12
Finance cost – accreted interest	12	-	1,105
Unrealized foreign exchange gain		(15)	505
Gain on fair value of convertible debenture		-	(695)
Share-based compensation charges	8	405	-
		(710)	(1,602)
Change in non-cash operating working capital			
Increase in accounts receivable and prepaid expense		(228)	(402)
(Decrease) increase in accounts payable and accruals		85	(203)
		(853)	(2,207)
<b>Cash flows from (used in) financing activities</b>			
Proceeds from private placement, net	7(d)	-	9,584
Proceeds from option exercised	7(c)	-	12
Repayment – promissory note		-	(3,412)
		-	6,184
<b>Increase (decrease) in cash and cash equivalents</b>		(853)	3,977
<b>Foreign exchange impact on cash and cash equivalents</b>		101	(555)
<b>Cash and cash equivalents – beginning of year</b>		2,109	940
<b>Cash and cash equivalents – end of year</b>		1,357	4,362
Cash		\$ 1,323	\$ 4,328
Short term investment		34	34
<b>Cash and cash equivalents – end of year</b>		\$ 1,357	\$ 4,362

*Supplemental cash flow information (note 14)*

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2018 and 2017

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

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### 1 Nature of operations and going concern

Candelaria Mining Corp. (the “Company”) is a British Columbia public company listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “CAND.V”. The Company also trades under the symbol “CDELFF” on OTC Pink. 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 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 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 July 31, 2018, the Company had an accumulated deficit of \$17,347 (April 30, 2018 - \$16,274). For the three months ended July 31, 2018, the Company incurred a net and comprehensive loss of \$1,113 (July 31, 2017 - \$2,529) and negative cashflows from operations of \$853 (July 31, 2017 - \$2,207). 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 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 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, 2018. 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 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 September 18, 2018.

#### **Use of estimates and judgements**

The preparation of the Company’s unaudited interim condensed 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

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2018 and 2017

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

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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.

### *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.



# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2018 and 2017

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

### *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. 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 July 31, 2018 were as follows:

	<b>Jurisdiction</b>	<b>Ownership %</b>
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**

### **New Accounting Standards Adopted During the Period**

#### *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

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 concluded that there will be no material changes as a result of adopting these standards.

### Recent accounting pronouncements issued but not yet effective

#### *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

	July 31, 2018	April 30, 2018
Other receivable	\$ 51	\$ 59
IVA receivables*	2,647	2,411
Prepaid expenses	28	28
	\$ 2,726	\$ 2,498

\*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:

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2018 and 2017

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

	July 31, 2018		April 30, 2018	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Cash and cash equivalents <sup>(1)</sup>	1,357	1,357	2,109	2,109
Other receivables <sup>(1)</sup>	51	51	59	59
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Accounts payable & accrued liabilities <sup>(1)</sup>	421	421	376	376
Caballo Blanco acquisition payable <sup>(1)</sup>	1,758	1,758	1,734	1,734

### 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 10. 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 July 31, 2018 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	Canadian Dollars	US Dollars	Mexico Pesos	Total
<b>Financial assets</b>				
Cash and cash equivalent	\$ 50	\$ 1,160	\$ 147	\$ 1,357
Other receivables	2	-	2,696	2,698
	52	1,160	2,843	4,055
<b>Financial liabilities</b>				
Accounts payables and accrued liabilities	(265)	(47)	(109)	(421)
Caballo Blanco Acquisition Payable	-	(1,758)	-	(1,758)
Net financial (liabilities) assets	\$ (213)	\$ (645)	\$ 2,734	\$ 1,876

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:

	Canadian Dollars	US Dollars	Mexico Pesos	Total
<b>Financial assets</b>				
Cash and cash equivalent	\$ 50	\$ 1,949	\$ 110	\$ 2,109
Other receivables	1	-	2,438	2,439
	51	1,949	2,548	4,548
<b>Financial liabilities</b>				
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 reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Mexican Pesos exchange rate. As of July 31, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$64 (April 30, 2018 - \$21). 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 \$273 (April 30, 2018 - \$245) 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.

July 31, 2018	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 421	\$ -
Caballo Blanco Acquisition Payable	1,758	-
	\$ 2,179	\$ -

## Candelaria Mining Corp.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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	\$ -

## 6 Exploration and evaluation assets

	Apolo Property, Zacatecas, Mexico	Caballo Blanco Project	Total
<b>April 30, 2017</b>	<b>\$ 11,370</b>	<b>\$ 21,259</b>	<b>\$ 32,629</b>
Cumulative translation adjustment – foreign exchange	(590)	(390)	(980)
<b>April 30, 2018</b>	<b>\$ 10,780</b>	<b>\$ 20,869</b>	<b>\$ 31,649</b>
Cumulative translation adjustment – foreign exchange	637	482	1,119
<b>July 31, 2018</b>	<b>\$ 11,417</b>	<b>\$ 21,351</b>	<b>\$ 32,768</b>

### 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
<b>Total consideration</b>	<b>\$ 6,469</b>

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2018 and 2017

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

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)
<b>Total consideration</b>	<b>\$</b>	<b>6,469</b>

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 7(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 January 31, 2018 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.

# Candelaria Mining Corp.

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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
<b>Total consideration</b>	<b>\$</b>	<b>16,171</b>

Allocated to:

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

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)
<b>Fair value at issuance</b>		<b>2,901</b>
Accretion expense – year ended April 30, 2017		276
Foreign exchange impact – year ended April 30, 2017		162
<b>Promissory note US\$2,500 – as at April 30, 2017</b>	<b>\$</b>	<b>3,339</b>
Accretion expense – period ended April 30, 2018		73
Repayment		(3,412)
<b>Promissory note US\$2,500 – as at April 30, 2018</b>	<b>\$</b>	<b>-</b>

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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
<b>Caballo Blanco – other assumed liability US\$5,000 – as at August 18, 2016</b>	<b>\$</b>	<b>5,142</b>
<b>Convertible debenture issued – US\$2,500 (see note 7(b))</b>	<b>\$</b>	<b>(3,195)</b>
Caballo Blanco – newly issued assumed liability US\$600	\$	(766)
Impact from discount rate of 12% (over 2 years)		156
<b>Fair value - Caballo Blanco – newly issued assumed liability US\$600</b>		<b>(610)</b>
<b>Gain on settlement</b>	<b>\$</b>	<b>1,337</b>
<b>Opening - Caballo Blanco – newly issued assumed liability US\$600</b>	<b>\$</b>	<b>766</b>
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
<b>Caballo Blanco – newly issued assumed liability US\$600 – as at April 30, 2017</b>	<b>\$</b>	<b>712</b>
Accretion expense – period ended April 30, 2018		40
Foreign exchange impact – period ended April 30, 2018		19
<b>Caballo Blanco – newly issued assumed liability US\$600 – as at April 30, 2018</b>	<b>\$</b>	<b>771</b>
Foreign exchange impact – period ended July 31, 2018		10
<b>Caballo Blanco – newly issued assumed liability US\$600 – as at July 31, 2018</b>	<b>\$</b>	<b>781</b>



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## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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- vi) Total Caballo Blanco acquisition payable as at July 31, 2018 was \$1,758 (April 30, 2018 - \$1,734) which consists of the fair value of the US\$600 (\$781 (April 30, 2018 - \$771), see (v)) assumed liability and the US\$750 (\$977)(April 30, 2018 - \$963), see (iii)) cash payment outstanding.

## 7 Share Capital

- a) The Company's authorized share capital consists of an unlimited number of common shares without par value.

### *Share issuance – prior year fiscal April 30, 2018*

- b) On May 2, 2017, the Company issued 4,666,666 common shares related to the Apolo transaction (see note 6(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.
- 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.

### *Share issuance – current period ended July 31, 2018*

- j) On May 9, 2018, 825,001 common shares were issued related to RSUs vested (note 8).

### *Warrants*

- k) 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

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

	Warrants outstanding ('000)	Weighted average exercise price (CAD\$)
<b>Ending – April 30, 2017</b>	<b>10,652</b>	<b>\$0.70</b>
Exercised	(1,016)	\$0.75
Grant	3,494	\$0.75
Expired	(500)	\$0.75
<b>Ending – April 30, 2018</b>	<b>12,630</b>	<b>\$0.60</b>
<b>Ending – July 31, 2018</b>	<b>12,630</b>	<b>\$0.60</b>

As at July 31, 2018, the Company has the following share purchase warrant outstanding:

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

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

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

## 8 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 approximately 11.29 million common shares. The

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 three months ended July 31, 2018 was \$71 (2017 - \$nil).

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 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 three months ended July 31, 2018 was \$334 (2017 - \$nil).

	July 31, 2018		April 30, 2018	
	Number of shares (000's)	Weighted average exercise price	Number of shares (000's)	Weighted average exercise price
Outstanding – beginning of year	6,591	\$ 0.67	5,989	\$ 0.66
Grant	-	-	750	0.68
Exercised	-	-	(148)	(0.30)
Outstanding – end of period	6,591	\$ 0.67	6,591	\$ 0.67

The weighted average fair value of the options granted during the period ended July 31, 2018 was \$nil (April 30, 2018 - \$nil) per option.

The following table discloses the number of options and vested options outstanding as at July 31, 2018:

Number of options (‘000s)	Number of options vested (‘000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
1,017	1,017	3.14	\$0.15	22-Mar-2021
83	83	3.16	\$0.15	31-Mar-2021
1,134	1,134	3.42	\$0.45	4-Jul-2021
3,383	3,383	3.49	\$0.90	27-Jul-2021
100	100	3.75	\$0.90	31-Oct-2021
124	124	3.81	\$0.90	23-Nov-2021
750	500	4.66	\$0.68	27-Mar-2023
<b>6,591</b>	<b>6,341</b>	<b>3.56</b>	<b>\$0.67</b>	

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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
<b>6,591</b>	<b>6,091</b>	<b>3.81</b>	<b>\$0.67</b>	

The weighted average exercise price of vested options as at July 31, 2018 was \$0.67 (April 30, 2018 - \$0.67).

## 9 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 three months ended July 31, are as follows:

	July 31, 2018	July 31, 2017
Professional fees	\$ 132	\$ 117
General and administration	-	21
Stock based compensation	405	-

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 July 31, 2018 the Company had amounts payable of \$nil (April 30, 2018 - \$nil) to these parties. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

## 10 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:

	July 31, 2018	April 30, 2018
Total equity for owners	\$ 31,879	\$ 31,326
Less: cash and cash equivalents	(1,357)	(2,109)
	\$ 30,522	\$ 29,217

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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 July 31, 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.

## 11 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 13. The Company's assets by country are:

July 31, 2018	Canada	Mexico	Total
Cash and cash equivalent	\$ 1,209	\$ 148	\$ 1,357
Accounts receivable and prepaid expense	42	2,684	2,726
	1,251	2,832	4,083
Equipment	-	29	29
Exploration and evaluation assets	-	32,768	32,768
Total assets	\$ 1,251	\$ 35,629	\$ 36,880
Segment loss for the period ended	\$ (671)	\$ (442)	\$ (1,113)

July 31, 2017	Canada	Mexico	Total
Cash and cash equivalent	\$ 4,037	\$ 325	\$ 4,362
Accounts receivable and prepaid expense	113	2,464	2,577
	4,150	2,789	6,939
Deferred charges	2,463	-	2,463
Equipment	-	75	75
Exploration and evaluation assets	-	32,639	32,639
Total assets	\$ 6,613	\$ 35,503	\$ 42,116
Segment loss for the period ended	\$ (2,154)	\$ (375)	\$ (2,529)

## 12 Finance cost

	Three months ended July 31,	
	2018	2017
Accretion expense – convertible debenture	\$ -	\$ 420
Accretion expense – promissory note	-	73
Accretion expense – Caballo Blanco payable	-	20
Accretion expense – fair value differential amortization	-	591
Interest expense – convertible debenture	-	59
Other	-	3
	\$ -	\$ 1,166

## Candelaria Mining Corp.

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## 13 Exploration expenses

During the period ended July 31, 2018, the Company incurred an exploration expense on general project investigation and evaluation expense on various projects:

	Caballo Blanco	Apolo	Total
Salary, consulting and administration	\$ 144	\$ 24	\$ 168
Consumables	-	3	3
Travel	17	-	17
Lab and analysis	-	-	-
Equipment maintenance and rental	1	1	2
Concession payments	-	42	42
<b>Period ended July 31, 2018</b>	<b>\$ 162</b>	<b>\$ 70</b>	<b>\$ 232</b>
<b>Project to date – July 31, 2018</b>	<b>\$ 2,069</b>	<b>\$ 1,581</b>	<b>\$ 3,650</b>

During the period ended July 31, 2017, the Company incurred an exploration expense on general project investigation and evaluation expense on various projects:

	Caballo Blanco	Apolo	Total
Salary, consulting and administration	\$ 394	\$ 14	\$ 408
Consumables	6	5	11
Travel	3	1	4
Lab and analysis	-	3	3
Equipment maintenance and rental	44	5	49
Concession payments	144	3	147
<b>Year ended July 31, 2017</b>	<b>\$ 591</b>	<b>\$ 31</b>	<b>\$ 622</b>
<b>Project to date – July 31, 2017</b>	<b>\$ 1,067</b>	<b>\$ 1,152</b>	<b>\$ 2,219</b>

## 14 Supplemental cash flow information

	Period ended July 31,	
	2018	2017
Apolo acquisition – share insurance	-	4,233