



Candelaria Mining Corp.

Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2019 and 2018

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

NOTICE

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED JULY 31, 2019**

The second quarter financial statements for the six months ended October 31, 2019 and 2018 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

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

	Note	October 31, 2019	April 30, 2019
Assets			
Current assets			
Cash and cash equivalents	5	\$ 204	\$ 277
Other receivables and prepaid expenses	4,5	49	52
		253	329
Other receivables – non-current	4,5	2,824	2,844
Equipment		-	7
Exploration and evaluation assets	6	11,191	11,516
Total assets		\$ 14,268	\$ 14,696
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 961	\$ 876
Private placement – advance	7(f)	756	-
Caballo Blanco Acquisition Payable	5,6	1,776	1,813
Total liabilities		\$ 3,493	\$ 2,689
Shareholders' equity			
Share capital		44,645	44,645
Reserves		4,330	4,715
Deficit		(40,981)	(40,125)
		7,994	9,235
Non-controlling interest ("NCI")		2,781	2,772
		10,775	12,007
Total liabilities and shareholders' equity		\$ 14,268	\$ 14,696

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

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

	Notes	Three months ended October 31,		Six months ended October 31,	
		2019	2018	2019	2018
General and administration expenses					
Amortization		\$ -	\$ (8)	\$ (7)	\$ (21)
Exploration expense	12	(59)	(166)	(116)	(398)
Consulting and professional fees		(222)	(293)	(374)	(583)
Salary and wages		(25)	(52)	(60)	(232)
General and administration		(182)	(59)	(277)	(144)
Regulatory and filing fees		(13)	(21)	(13)	(25)
Travel		-	(11)	-	(27)
Share-based compensation	8	-	(197)	-	(602)
		(501)	(807)	(847)	(2,032)
Other (expenses) income, net					
Foreign exchange loss		(3)	(211)	(18)	(99)
Other income		-	-	18	-
Net loss		(504)	(1,018)	(847)	(2,131)
Other comprehensive loss ("OCI")					
Items that may be reclassified to profit or loss					
Gain (loss) on translation of foreign operations		(43)	51	(385)	1,272
Total comprehensive loss		(547)	(967)	(1,232)	(859)
Net loss attributable to:					
Owners of the Company		(522)	(1,102)	(856)	(2,175)
NCI		18	84	9	44
Total net loss		(504)	(1,018)	(847)	(2,131)
OCI attributable to:					
Owners of the Company		(43)	51	(385)	1,272
NCI		-	-	-	-
Total other comprehensive loss		(43)	51	(385)	1,272
Total comprehensive loss attributable to:					
Owners of the Company		(565)	(1,051)	(1,241)	(903)
NCI		18	84	9	44
Total comprehensive loss		(547)	(967)	(1,232)	(859)
Loss per share – basic and diluted		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average shares outstanding (000's) – basic and diluted		113,822	112,953	113,822	112,796
Total shares issued and outstanding (000's)		113,822	112,972	113,822	112,972

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

Candelaria Mining Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY

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

	Notes	Shares (^{'000})	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, 2019		113,822	\$ 44,645	\$ 3,607	\$ 1,309	\$ (201)	\$ -	\$ -	\$ (40,125)	\$ 9,235	\$ 2,772	\$ 12,007
Cumulative translation		-	-	-	-	(385)	-	-	-	(385)	-	(385)
Net loss for the year		-	-	-	-	-	-	-	(856)	(856)	9	(847)
As at October 31, 2019		113,822	\$ 44,645	\$ 3,607	\$ 1,309	\$ (586)	\$ -	\$ -	\$ (40,981)	\$ 7,994	\$ 2,781	\$ 10,775

	Notes	Shares (^{'000})	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, 2018		111,897	\$ 44,645	\$ 3,424	\$ 738	\$ (1,207)	\$ -	\$ -	\$ (16,274)	\$ 31,326	\$ 2,862	\$ 34,188
Cumulative translation		-	-	-	-	1,272	-	-	-	1,272	-	1,272
Stock based compensation		1,075	-	110	492	-	-	-	-	602	-	602
Net loss for the year		-	-	-	-	-	-	-	(2,175)	(2,175)	44	(2,131)
As at October 31, 2018		112,972	\$ 44,645	\$ 3,534	\$ 1,230	\$ 65	\$ -	\$ -	\$ (18,449)	\$ 31,025	\$ 2,906	\$ 33,931

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

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CONDENSED INTERIM CONSOLIDATED STATEMENTS of CASH FLOWS

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

	Note	Three months ended October 31,		Six months ended October 31,	
		2019	2018	2019	2018
Cash used from operating activities					
Net loss for the year		\$ (504)	\$ (1,018)	\$ (847)	\$ (2,131)
Items not affecting cash					
Amortization		-	8	7	21
Unrealized foreign exchange loss (gain)		1	114	(16)	99
Share-based compensation charges	8	-	197	-	602
		(503)	(699)	(856)	(1,409)
Change in non-cash operating working capital					
Increase in accounts receivable and prepaid expense		(51)	(13)	(65)	(241)
(Decrease) increase in accounts payable and accruals		206	(1)	354	84
		(348)	(713)	(567)	(1,566)
Cash flows from (used in) financing activities					
Private placements – advance	7(f)	478	-	491	-
		478	-	491	-
Increase (decrease) in cash and cash equivalents		130	(713)	(76)	(1,566)
Foreign exchange impact on cash and cash equivalents		1	(59)	3	42
Cash and cash equivalents – beginning of year		73	1,357	277	2,109
Cash and cash equivalents – end of year		204	585	204	585
Cash		\$ 204	\$ 324	\$ 204	\$ 324
Short term investment		-	261	-	261
Cash and cash equivalents – end of year		\$ 204	\$ 585	\$ 204	\$ 585

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2019 and 2018

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

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 December 5, 2018, the Company announced that it has agreed to issue 7,075,472 of the Company’s common shares to the shareholder of Minera Apolo S.A. de C.V. (“Minera Apolo”) to acquire the remaining 40% of the shares of Minera Apolo. The Company has entered into an agreement and is in the process of submitting the transaction for regulatory approval.

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 October 31, 2019, the Company had cash and cash equivalents of \$204, a working capital deficit of \$3,240, and an accumulated deficit of \$40,981 (April 30, 2019 - \$40,125). For the six months ended October 31, 2019, the Company incurred a net and comprehensive loss of \$847 (2018 - \$2,131) and negative cashflows from operations of \$567 (2018 - \$1,566). 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 with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended April 30, 2019. 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 December 20, 2019.

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

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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 and exploration and evaluation 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 6) 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.

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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 parent company's resources, 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, 2019 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

New Accounting Standards Adopted During the Period

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 adopted IFRS 16 on May 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Company will be adopting the exemption for leases with a lease term of 12 months or less and for leases that are low value. Upon assessment, there are no material impact to the financial statements.

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4 Other receivables and prepaid expenses

	October 31, 2019		April 30, 2019	
Other receivable	\$	26	\$	24
IVA receivables*		2,824		2,844
Prepaid expenses		22		28
	\$	2,872	\$	2,896
Non current portion	\$	2,824	\$	2,844
Current portion	\$	48	\$	52

*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:

	October 31, 2019		April 30, 2019	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Amortized cost</i>				
Cash and cash equivalents	204	204	277	277
Other receivables ⁽¹⁾	22	22	24	24
Financial liabilities				
<i>Amortized cost</i>				
Accounts payable & accrued liabilities	961	961	876	876
Private placement – advance	756	756	-	-
Caballo Blanco acquisition payable	1,776	1,776	1,813	1,813

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. 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

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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 October 31, 2019 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 equivalents	\$ 18	\$ 176	\$ 10	\$ 204
Other receivables	3	-	19	22
	21	176	29	226
Financial liabilities				
Accounts payables and accrued liabilities	(758)	(101)	(102)	(961)
Private placements – advance Caballo Blanco Acquisition Payable	-	(756)	-	(756)
	-	(1,776)	-	(1,776)
Net financial (liabilities)	\$ (737)	\$ (2,457)	\$ (73)	\$ (3,267)

The Company's financial assets and liabilities as at April 30, 2019 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 equivalents	\$ 10	\$ 255	\$ 12	\$ 277
Other receivables	1	-	23	24
	11	255	35	301
Financial liabilities				
Accounts payables and accrued liabilities	(711)	(61)	(104)	(876)
Caballo Blanco Acquisition Payable	-	(1,813)	-	(1,813)
Net financial (liabilities)	\$ (700)	\$ (1,619)	\$ (69)	\$ (2,388)

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The Company's reported results will be affected by changes in the US dollar to Canadian dollar and Canadian dollar to Mexican Pesos exchange rate. As of October 31, 2019, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$246 (April 30, 2019 - \$162). 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 \$7 (April 30, 2019 - \$7) 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.

October 31, 2019	Current – within 1 year	Non- current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 961	\$ -
Caballo Blanco Acquisition Payable	1,776	-
	\$ 2,737	\$ -

6 Exploration and evaluation assets

	Apolo Property, Zacatecas, Mexico	Caballo Blanco Project	Total
April 30, 2018	\$ 10,780	\$ 20,869	\$ 31,649
Cumulative translation adjustment – foreign exchange	736	-	736
Impairment	-	(20,869)	(20,869)
April 30, 2019	\$ 11,516	\$ -	\$ 11,516
Cumulative translation adjustment – foreign exchange	(325)	-	(325)
October 31, 2019	\$ 11,191	\$ -	\$ 11,191

a) Apolo Project

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

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

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Allocated to:

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

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

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

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

Subject to the terms and conditions set forth in the Agreement, the Company will pay an additional US\$100 (the value of these payments has not been recognized in the statement of financial position as at October 31, 2019 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.

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On December 5, 2018, the Company announced that it has agreed to issue 7,075,472 of the Company's common shares to the shareholder of Minera Apolo S.A. de C.V. ("Minera Apolo") to acquire the remaining 40% of the shares of Minera Apolo. The Company has entered into an agreement and is in the process of submitting the transaction for regulatory approval.

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).
- 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 (\$987 as at October 31, 2019) accrued as at October 31, 2019. This amount would be paid out to Alio when one of the concessions, which is currently under legal dispute, reaches legal settlement.
- 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:

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

- 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. 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	\$	(3,195)
Caballo Blanco – newly issued assumed liability US\$600	\$	(766)
Impact from discount rate of 12% (over 2 years)		171
Fair value - Caballo Blanco – newly issued assumed liability US\$600		(595)
Gain on settlement	\$	1,352

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Opening - Caballo Blanco – newly issued assumed liability US\$600	\$ 766
Impact from discount rate of 12% (over 2 years)	(156)
Fair value at issuance	610
Accretion expense – year ended April 30, 2017	55
Foreign exchange impact – year ended April 30, 2017	47
Caballo Blanco – newly issued assumed liability US\$600 – as at April 30, 2017	\$ 712
Accretion expense – period ended 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
Foreign exchange impact – year ended April 30, 2019	35
Caballo Blanco – newly issued assumed liability US\$600 – as at April 30, 2019	\$ 806
Foreign exchange impact – period ended October 31, 2019	(17)
Caballo Blanco – newly issued assumed liability US\$600 – as at October 31, 2019	\$ 789

- vi) Total Caballo Blanco acquisition payable as at October 31, 2019 was \$1,776 (April 30, 2019 - \$1,813) which consists of the fair value of the US\$600 (\$789 (April 30, 2019 - \$806), see (v)) assumed liability and the US\$750 (\$987)(April 30, 2019 - \$985), see (iii)) cash payment outstanding.
- i) In accordance with the Company's accounting policy, non-current assets, including Caballo Blanco, are reviewed at each reporting date to determine whether there are any indicators of impairment. An impairment is recognized when the carrying amount exceeds the recoverable amount. Since acquiring the asset in July 2016, the Company has engaged with government authorities, community members and stakeholders, and undertaken additional exploration work including drilling and sampling programs. Candelaria has also closed a strategic investment with Agnico Eagle Mines Limited for C\$9.7 million for 9.9% ownership in the Company. [The Company has completed a review and update of the Environmental Impact Assessment and is in the process of evaluating the proper moment to submit it to SEMARNAT, the Mexican Environmental Authority, once the stakeholder engagement process has determined that the social environment is appropriate]. The Company has also developed an exploration program aimed at expanding the current resource which it will undertake pending funding. However, approval of the Environmental Impact Assessment and timing thereof remains uncertain. The Company determined that due to the uncertainty surrounding the timing of permitting, the value of the project cannot be reasonably estimated. As a result, the Company recognized an impairment loss of \$20,869 for the year ended April 30, 2019.

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7 Share Capital

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

Share issuance – year ended April 30, 2019

- b) On May 9, 2018, 825,001 common shares were issued related to Restricted Share Units ("RSUs") vested.
- c) On August 9, 2018, 250,000 common shares were issued related to RSUs vested.
- d) On March 29, 2019, 299,999 common shares were issued related to RSUs vested.
- e) On December 5, 2018, the Company announced that it has agreed to issue 7,075,472 of the Company's common shares to the shareholder of Minera Apolo S.A. de C.V. ("Minera Apolo") to acquire the remaining 40% of the shares of Minera Apolo. The Company is currently in progress to close the transaction.
- f) On October 15, 2019, the Company announced that it intends to conduct an offering, on a non-brokered private placement basis, of up to 2,800,000 units of the Company ("Units") at a subscription price of \$0.25 per Unit for aggregate gross proceeds of up to \$700. Each Unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of \$0.40 for a period of three (3) years following the closing of the private placement. As at October 31, 2019 the financing is still in progress.

Warrants

- g) On November 27, 2018, the Company obtained approval from 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 were completed in 2016.

Warrants outstanding ('000)	Exercise price (CAD\$)	Original Expiry	Extended Expiry
2,888	\$ 0.60	14-Dec-2017	14-Dec-2020
2,154	0.60	6-Jan-2018	6-Jan-2021
3,317	0.60	18-Feb-2018	18-Feb-2021
3,145	0.75	18-Feb-2018	18-Feb-2021
349	0.60	18-Feb-2018	18-Feb-2021
777	0.60	13-March-2018	13-March-2021
12,630	\$ 0.64		

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

	Warrants outstanding ('000)	Weighted average exercise price (CAD\$)
Ending – April 30, 2018	12,630	\$0.64
Ending – April 30, 2019, October 31, 2019	12,630	\$0.64

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As at October 31, 2019, 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-2020
2,154	0.60	6-Jul-2016	6-Jan-2021
3,317	0.60	18-Aug-2016	18-Feb-2021
3,145	0.75	14-Sep-2017	18-Feb-2021
349	0.60	14-Sep-2017	18-Feb-2021
777	0.60	13-Sep-2016	13-March-2021
12,630	\$ 0.64		

As at April 30, 2019, 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-2020
2,154	0.60	6-Jul-2016	6-Jan-2021
3,317	0.60	18-Aug-2016	18-Feb-2021
3,145	0.75	14-Sep-2017	18-Feb-2021
349	0.60	14-Sep-2017	18-Feb-2021
777	0.60	13-Sep-2016	13-March-2021
12,630	\$ 0.64		

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 11.35 million common shares. The

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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.

Stock based compensation expense related to this stock option vested for the six months ended October 31, 2019 is \$nil (2018 - \$110).

The share based compensation expense related to the RSU vesting for the six months ended October 31, 2019 was \$nil (2018 - \$492).

	October 31, 2019		April 30, 2019	
	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	6,591	\$ 0.67
Outstanding – end of period	6,591	\$ 0.67	6,591	\$ 0.67

The following table discloses the number of options and vested options outstanding as at October 31, 2019:

Number of options (‘000s)	Number of options vested (‘000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
1,017	1,017	1.89	\$0.15	22-Mar-2021
83	83	1.92	\$0.15	31-Mar-2021
1,134	1,134	2.17	\$0.45	4-Jul-2021
3,383	3,383	2.24	\$0.90	27-Jul-2021
100	100	2.50	\$0.90	31-Oct-2021
124	124	2.56	\$0.90	23-Nov-2021
750	750	3.41	\$0.68	27-Mar-2023
6,591	6,591	3.31	\$0.67	

The following table discloses the number of options and vested options outstanding as at April 30, 2019:

Number of options (‘000s)	Number of options vested (‘000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
1,017	1,017	2.39	\$0.15	22-Mar-2021
83	83	2.41	\$0.15	31-Mar-2021
1,134	1,134	2.67	\$0.45	4-Jul-2021
3,383	3,383	2.74	\$0.90	27-Jul-2021
100	100	3.00	\$0.90	31-Oct-2021
124	124	3.06	\$0.90	23-Nov-2021
750	750	3.91	\$0.68	27-Mar-2023
6,591	6,591	3.81	\$0.67	

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The weighted average exercise price of vested options as at October 31, 2019 was \$0.67 (April 30, 2019 - \$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 period ended October 31, 2019, are as follows:

	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
Professional fees	\$ 116	\$ 148	\$ 242	\$ -
Stock based compensation	-	197	-	602

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 2019 and 2018. 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 October 31, 2019, the Company had amounts payable of \$410 (April 30, 2019 - \$142) 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:

	October 31, 2019	April 30, 2019
Total equity for owners	\$ 7,994	\$ 9,235
Less: cash and cash equivalents	(204)	(277)
	\$ 7,790	\$ 8,958

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at October 31, 2019, the Company expects its capital resources will support its normal operating requirements, planned development and exploration of its mineral properties for the next future year. There are no externally imposed capital requirements to which the Company has not complied.

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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 12. The Company's assets by country are:

October 31, 2019	Canada	Mexico	Total
Cash and cash equivalents	\$ 192	\$ 12	\$ 204
Accounts receivable and prepaid expenses	21	28	49
	213	40	253
Other receivables – non current	-	2,824	2,824
Exploration and evaluation assets	-	11,191	11,191
Total assets	\$ 213	\$ 14,055	\$ 14,268
Segment loss for the three months ended	\$ (123)	\$ (381)	\$ (504)
Segment loss for the six months ended	\$ (395)	\$ (452)	\$ (847)

October 31, 2018	Canada	Mexico	Total
Cash and cash equivalents	\$ 546	\$ 39	\$ 585
Accounts receivable and prepaid expenses	34	2,705	2,739
	580	2,744	3,324
Equipment	-	21	21
Exploration and evaluation assets	-	32,768	32,768
Total assets	\$ 580	\$ 35,533	\$ 36,113
Segment loss for the three months ended	(606)	(412)	(1,018)
Segment loss for the six months ended	\$ (1,277)	\$ (854)	\$ (2,131)

12 Exploration expenses

During the period ended October 31, 2019, the Company incurred an exploration expense on general project investigation and evaluation expense on various projects:

	Caballo Blanco	Apolo	Total
Salary, consulting and administration	\$ 2	\$ 71	\$ 73
Consumables	-	3	3
Travel	-	4	4
Equipment maintenance and rental	-	17	17
Concession payments	-	19	19
Period ended October 31, 2019	\$ 2	\$ 114	\$ 116
Project to date – October 31, 2019	\$ 2,285	\$ 1,826	\$ 4,111

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During the period ended October 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	\$ 283	\$ 43	\$ 326
Consumables	-	3	3
Travel	24	-	24
Lab and analysis	-	-	-
Equipment maintenance and rental	2	1	3
Concession payments	-	42	42
Period ended October 31, 2018	\$ 309	\$ 89	\$ 398
Project to date – October 31, 2018	\$ 2,216	\$ 1,600	\$ 3,816