



## Management's Discussion and Analysis

### For the six months ended October 31, 2019

(Expressed in Canadian dollars, unless otherwise noted)

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December 20, 2019

*For further information on the Company, reference should be made to its public filings on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company's website at [www.candelariamining.com](http://www.candelariamining.com). This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended October 31, 2019, and audited consolidated financial statements for the year ended April 30, 2019, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. The MD&A contains certain forward looking statements, please review the disclaimers that are provided on the last page of the report.*

## OVERVIEW

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

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

On 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. ("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 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.

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 Gold Inc. ("Alio"), formerly Timmins Gold Corp. 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.

## HIGHLIGHTS – Six months ended October 31, 2019

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 \$700,000. 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. During the period ended October 31, 2019, the Company received \$491,000 in advances for the private placement that is currently ongoing.

## **CABALLO BLANCO, STATE OF VERACRUZ, MEXICO**

**Ownership:** 100% Candelaria Mining Corp.

### **Acquisition terms**

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 would acquire the Caballo Blanco project in exchange for cash payments to be paid over a period of twelve months as follows:

- i) US\$1,250,000 payable on signing of the agreement as a non-refundable deposit (paid).
- ii) US\$2,250,000 payable no later than 15 business days from the date of the agreement as an additional non-refundable deposit (paid).
- iii) US\$6,500,000 payment upon closing, which is to occur on or before June 24, 2016 (US\$5,750,000 paid as at date of the reporting, the remaining US\$750,000 will be paid out to Alio when one of the concessions, which is currently under legal dispute, reaches a legal settlement.
- iv) Issuance of a US\$2,500,000 non-interest bearing secured promissory note due on the earlier occurrence of the Company receiving permits or June 24, 2017 (paid as at July 31, 2017); and
- v) The Company agreed to assume a US\$5.0 million payment obligation owing to Goldgroup Mining Inc. On August 18, 2016, the Company settled the US\$5 million payment obligation to Goldgroup Mining Inc. in exchange for US\$3.1 million in payments. Pursuant to the settlement the Company has paid US\$2.5 million (through the issuance of convertible debenture, with additional US\$600,000 to be paid upon SEMARNAT approval).

Caballo Blanco is located on the eastern coast of Mexico in the state of Veracruz, 65 kilometers northwest of the city of Veracruz. The project envisions a low CAPEX, simple heap-leach open pit mining operation targeting approximately 100,000 ounces of gold production annually.

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 \$20.9 million for the year ended April 30, 2019.

### **NI 43-101 – Technical Report (April 20, 2017)**

#### *Mineral Resource Estimate*

Mineralization at La Paila in the Northern zone remains open to the north and south along trend and at depth. Drilling on a 2,000 meter infill drill program was carried out to confirm the resource model and provide tighter drill spacing in some areas of the resource. Numerous technical studies will be undertaken to advance Caballo Blanco. These include, but are not limited to, additional metallurgical test work, re-design of the conceptual pit, resource update, water supply studies and ore and waste rock characteristic studies.

<b>Indicated and Inferred Resources (1)(2)(3)(4)</b>					
<b>Category</b>	<b>Tonnes</b>	<b>Au Grade (g/t)</b>	<b>Ag Grade (g/t)</b>	<b>Contained Gold Ounces</b>	<b>Contained Silver Ounces</b>
Indicated	31,220,000	0.52	2.16	521,000	2,170,000
Inferred	8,630,000	0.34	2.14	95,000	590,000

1. The resource estimate is based on 200 diamond drill holes completed since the discovery of the La Paila mineralized zone. The resource available for blocks contained within a conceptual open pit using metal prices of \$1150 US / oz Au and \$21 US / oz Ag, using a cut-off of 0.11 grams per tonne (g/t) gold.

2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. There is no certainty that all or any part of the Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration.

3. Gary Giroux, of Giroux Consulting, along with Jim Cuttle B.Sc. P.Geo. are qualified persons as defined in NI 43-101 are authors of the technical report and responsible for the resource estimate.

4. The effective date of the resource estimate is March 20, 2017.

## Outlook

In the future, and according to market conditions and availability of funds, the Company will advance the Caballo Blanco project. While the Company has made significant advancements in identifying the resource at the La Paila zone, additional drilling and technical work could provide additional information and potential expansion of the zone. In addition, 7 other exploration targets have been identified on the property through IP Resistivity, magnetics, geo-chemical and sampling programs. The Company plans to realize a drilling program on these targets when market conditions and availability of funds allow. The Company is continuing dialogue with the local communities. Currently, the Company is focusing on community and government relations.

## PINOS DISTRICT, STATE OF ZACATECAS, MEXICO

**Ownership:** 100%

### Option agreement

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

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

- i) Paying an aggregate of US\$250,000 to the shareholders of Apolo on the agreement approval date, March 22, 2016 (paid); and
- ii) a further US\$250,000 to the shareholders of Apolo (paid);
- iii) Issuing a total of 6.7 million common shares (issued as at date of report) of the Company in installments over an 18 months period beginning on the March 22, 2016; and
- iv) Funding exploration expenditures of a minimum of US\$3,500,000 (met as at date of report) by advancing funds to Apolo on or before March 22, 2018 (the “Funding Commitment”); and
- v) Lending or arranging for a third party to loan, to Apolo, a minimum of US\$1,000,000 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. As at the date of the report, this criteria is met from the issuance of the convertible debenture.

Subject to the terms and conditions set forth in the Agreement, the Company will pay an additional US\$100,000 to the Apolo shareholders annually if all of the following conditions are satisfied:

- Apolo reaches a production of 250 tons per day on an Apolo Property;

- any portion of the Funding Commitment remains outstanding and payable on due date;
- any portion of the Loan remains outstanding and payable;
- the price of gold is over US\$1,100 per ounce; and
- the price of silver is over US\$17 per ounce.

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

#### **Acquisition of the remaining 40% of Apolo**

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 Apolo to acquire the remaining 40% of the shares of Apolo.

The Company is currently seeking financing to construct the Pinos project. It is anticipated that the financing will consist of a combination of debt and equity to meet the needs for initial capital costs, working capital and general corporate spending.

#### **Land Package: 3,516.14 ha**

**Location:** The Pinos Property is located in the municipality of Pinos, Zacatecas state in north-central Mexico near the town of Pinos, Zacatecas. The Property lies 405 air-kilometres northwest of Mexico City and lies 67 km west-northwest of the city of San Luis Potosí, 113 km east-southeast of the city of Zacatecas, and 85 km northeast of the city of Aguascalientes (Figure A).

The project plant and offices are located at  $\approx 22^{\circ} 18' 45''$  N Latitude and  $101^{\circ} 35' 26.5''$  W Longitude. The property lies in the Mexican Altiplano at elevations ranging from 2,360 to 2,800 m above sea level. Excellent location within the Fresnillo – Guanajuato Trend, containing the current major mines of Minera Frisco, Fresnillo and Panamerican Silver.

**Geology and Mineralization:** Gold and silver mineralization occurs in epithermal quartz and quartz-calcite veins concentrated in two principal trends in the western part of the concession block: the roughly north-south Candelaria – San Ramón trend, and the north-northeast – south-southwest Cinco Estrellas – La Paz trend (Figure B). Most of the development in the district has occurred on these trends. Vein trends commonly have accompanying anastomosing stringers and veinlets.

Veins are composite, consisting of silica-cemented breccia, silica, calcite, and inclusions of fault breccia. In detail, veins exhibit features typical of epithermal systems with splits on large and small scales. Irregular bends and vein breccia are common. Vein textures include vugs, colliform banding, chalcedonic silica, cockaded banding, and bladed, boiling textures are frequently observed.

In the northern part of the project area, at the Tanous vein and shaft, veins cut rhyolite and trachyte of the Pinos Volcanic Complex.

Veins are continuous, range in thickness from 0.5 to 3.2 meters, with an average thickness of 1.2-1.5 m, dip steeply to the west, and occupy normal faults cutting the sedimentary host rocks. Normal fault geometry is evidenced by local drag folding on beds.

Mine workings extend in most places to about 120m below the surface, with mineralization maintaining its values to that level.

**Additional High-Grade Drill Results in Pinos Project – November 2019**

During November 2019, the 20 holes in-fill drilling program confirms the grade and continuity of the Cinco Estrellas vein and include the following intervals:

- 2.4 m at 5.3 gpt AuEq (4.2 g/t Au, 92.3 g/t Ag)\*
- 3.7 m at 4.4 gpt AuEq (3.7 g/t Au, 62.2 g/t Ag)\*
- 1.3 m at 6.2 gpt AuEq (6.0 g/t Au, 16.0 g/t Ag)\*
- 1.8 m at 7.3 gpt AuEq (8.3 g/t Au, 51.0 g/t Ag)\*

\*please see detailed results table below

In-fill drilling has increased the confidence of mineral resources and the continuity of high grades along Cinco Estrellas vein, particularly, the San José de Peñitas zone. The 20 drill holes are in addition to the 33 drill holes previously announced on October 31, 2016, and used in the technical report titled “Pinos Project Preliminary Economic Assessment” “[PEA]”, announced on September 13, 2018 and filed on October 16, 2018 available on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Company’s website ([www.candelariamining.com](http://www.candelariamining.com)).

Locations of drill holes reported are shown in [Figure 1](#) of the San José de Peñitas Area (Cinco Estrellas Vein). The following table summarizes the most significant drill intercepts for this release;

<b>CINCO ESTRELLAS VEIN:</b>							
<b>Hole Number</b>	<b>From</b>	<b>To</b>	<b>Core Length</b>	<b>Est. True Width</b>	<b>Au</b>	<b>Ag</b>	<b>AuEq</b>
	<b>(m)</b>	<b>(m)</b>	<b>(m)</b>	<b>(m)</b>	<b>g/t</b>	<b>g/t</b>	<b>g/t</b>
<b>CA19PI034</b>	104.40	106.80	2.4	2.0	4.2	92.3	5.3
incl.	105.30	106.20	0.9	0.7	5.8	122.4	7.2
incl.	105.60	106.20	0.6	0.5	6.6	136.1	8.2
<b>CA19PI035</b>	150.50	151.80	1.3	1.0	2.1	45.2	2.6
incl.	151.20	151.80	0.6	0.5	2.7	94.2	3.8
<b>CA19PI036</b>	34.45	35.55	1.1	1.0	2.3	5.9	2.4
<b>CA19PI042</b>	106.75	110.40	3.7	2.5	3.7	62.2	4.4
incl.	107.65	108.75	1.1	0.7	6.4	111.7	7.7
incl.	109.80	110.40	0.6	0.4	3.9	37.0	4.4
<b>CA19PI042</b>	113.30	117.65	4.4	2.9	3.4	28.6	3.7
incl.	113.65	114.15	0.5	0.3	5.7	61.4	6.5
incl.	114.90	115.35	0.4	0.3	5.3	38.1	5.8
incl.	116.00	116.55	0.5	0.4	5.8	25.9	6.1
incl.	116.55	116.95	0.4	0.3	4.9	22.0	5.1
<b>CA19PI045</b>	168.45	169.75	1.3	1.0	6.0	16.0	6.2
incl.	168.75	169.35	0.6	0.4	12.0	20.7	12.2
<b>CA19PI046</b>	122.00	122.90	0.9	0.7	3.0	25.1	3.3
incl.	122.25	122.55	0.3	0.2	7.4	27.1	7.7
<b>CA19PI050</b>	110.30	111.40	1.1	1.0	3.3	54.3	4.0
incl.	111.10	111.40	0.3	0.3	8.3	51.0	8.9
<b>CA19PI051</b>	64.80	66.55	1.8	1.3	6.7	50.9	7.3
incl.	65.20	65.90	0.7	0.5	15.5	110.0	16.8

<b>CINCO ESTRELLAS VEIN:</b>							
<b>Hole Number</b>	<b>From</b>	<b>To</b>	<b>Core Length</b>	<b>Est. True Width</b>	<b>Au</b>	<b>Ag</b>	<b>AuEq</b>
	<b>(m)</b>	<b>(m)</b>	<b>(m)</b>	<b>(m)</b>	<b>g/t</b>	<b>g/t</b>	<b>g/t</b>
<b>CA19PI052</b>	97.60	98.75	1.2	0.9	3.1	91.4	4.2
incl.	97.90	98.30	0.4	0.3	6.9	181.0	9.0
<b>CA19PI053</b>	75.75	77.20	1.5	1.1	4.3	14.9	4.4
incl.	76.60	77.20	0.6	0.5	8.4	16.8	8.6
And	78.10	78.40	0.3	0.2	7.9	14.8	8.0
And	84.80	85.40	0.6	0.5	4.3	4.7	4.4

Note: All numbers are rounded. Based on a cutoff grade of 2.2 gpt AuEq.

\* AuEq based on 83 (Ag):1 (Au) calculated using long-term gold and silver prices of US\$1,300 per ounce gold and US\$15.5 per ounce silver.

These new drill holes announced in this release have an estimated true width ranging of 0.9 m to 2.9 m (Weighted Average True of 1.5 m) along the same estimated mineralized lengths as presented in the PEA announced on September 13, 2018.

In-fill drilling increases the confidence between discrete zones reported in the 2018 PEA. Additionally, drilling has defined new mineralization intersected to depth and down plunge. [Figure 2](#) shows a cross section where the Cinco Estrellas mineralization crops out to the down dip projection of the vein.

#### *Method of Analysis*

Samples were prepared at the ALS Global lab facility in Zacatecas, Mexico, and analyzed by ICP and AA methods at their facilities in Vancouver, Canada. Diamond drill samples sent for analysis consisted of half HQ-sized diamond core split on site, prepared by the ALS Global sample preparation laboratory in Zacatecas, Mexico, and assayed for Au by 50 g fire assay with AA finish (Au grades over 10 gpt Au are analyzed with gravimetric finish), and for Ag by Induction Coupled Plasma of 0.5 g with aqua regia digestion.

#### *Quality Control*

Preparation and assaying of samples from Candelaria's Pinos project are done with strict adherence to a Quality Assurance/Quality Control (QA/QC) protocol. QA-QC of Candelaria has been described in detail in technical report of Pinos Project Preliminary Economic Assessment (PEA). The Company inserted each 17 samples in average a stream of blanks and standards, the qualified person as defined in NI 43-101 selected seven duplicates and these were assayed on Inspectorate laboratory (Bureau Veritas) of Durango, Mexico.

Mr. Jose Antonio Olmedo, Eng. Geol. MSc. an Independent Consultant, located in Mexico City, Mexico, who is an "Independent Qualified Person" as defined by NI 43-101 has supervised the preparation and approved the scientific and technical disclosure of these drill results.

#### **Preliminary Economic Assessment ("PEA") – September 2018**

In September 13, 2018, the Company completed a PEA for the Pinos Project. This PEA is based on the Canadian NI 43-101 Mineral Resource Estimate and Economic Analysis generated by Jose A. Olmedo with Metallurgical work, Process Design Criteria, and Process Plant Details prepared by DENM Engineering Ltd., and presented in a National Instrument 43-101 Technical Report which will be filed before the end of October 2018.

In October 16, 2018, the Company filed a National Instrument 43-101 Technical Report regarding the preliminary economic assessment (“PEA”) for its Pinos Gold Project (“Pinos”).

**Pinos Project PEA Highlights using US\$1250/ounce gold and US\$17/ounce silver**

- Pre-tax Net Present Value (“NPV”) of US\$19 million using a 5% discount rate.
- After tax NPV of US\$12 million using a 5% discount rate.
- After tax Internal Rate of Return (“IRR”) of 25%.
- Low initial capital of US\$13.5 million and LOM capital of US\$23 million
- Project has additional upside potential; the PEA only uses the Cinco Estrellas vein, while multiple other vein targets exist on the property.
- All permits necessary to commence construction have been received.

<b>Pinos PEA Results<sup>1</sup> (US\$)</b>	
LOM (years)	7
Indicated GEO recovered (000’s) <sup>2</sup>	88.9
Direct Cash Cost per GEO	\$666
Capital costs: (millions)	
Initial	\$13.5
Sustaining	\$ 9.2
After tax NPV @ 5% discount rate (millions) <sup>3</sup>	\$12.2
After tax Internal Rate of Return (“IRR”) <sup>3</sup>	25%
<p><sup>1</sup>Technical report on the PEA incorporating work by DENM Engineering, Jose A. Olmedo and Candelaria Mining to be filed within 45 days of this release.</p> <p><sup>2</sup>Gold equivalent ounces production was calculated at 73.5:1 conversion using \$1,250/oz gold and \$17/oz silver</p> <p><sup>3</sup>NPV and IRR calculations are based on after tax expectations with a long term gold price of \$1,250 and silver price of \$17.</p> <p>The PEA is preliminary in nature, and there is no certainty that the PEA will be realized.</p>	

**Production Specifications**

- Total proposed tonnes processed of 790,800 includes Measured and Indicated resource of 261,500 tonnes at an average grade of 3.0 grams per tonne (“g/t”) gold and 59.1 g/t silver and 529,300 tonnes of Inferred Resource at an average grade of 3.6 g/t gold and 47.7 g/t silver containing 85,000 ounces of gold and 1.3 million ounces of silver.
- Total contemplated production of 75,400 ounces of gold and 995,400 ounces of silver from the Indicated and Inferred Resource.



- Average yearly production of 12,700 gold equivalent ounces during the initial seven years of the mine life.
- Throughput estimate of an average of 200 tonnes per day (“tpd”) for the 1<sup>st</sup> year, 300 tpd for years 2 and 3, and 400 tpd thereafter.

<b>Production Statistics:</b>	
Life of mine (years)	7
Total tonnes processed (000’s)	791
Overall average gold grade (g/t)	3.34
Overall average silver grade (g/t)	51
Overall average gold recovery	90%
Overall average silver recovery	80%
Gold ounces recovered (000’s)	75
Silver ounces recovered (000’s)	995
Average annual production GEOs (yrs 1-7)	12,700

The proposed potential production mine plan cut-off grade of 2.2 g/t gold.

<b><u>Modeled Operating Costs (US\$)</u></b>				
	<b><u>200 tpd</u></b>	<b><u>300 tpd</u></b>	<b><u>400 tpd</u></b>	
Cost / Tonne Mineralized Material	<b><u>\$82.36</u></b>	<b><u>\$79.87</u></b>	<b><u>\$77.37</u></b>	
Mining	39.57	39.48	39.39	
Processing	30.77	29.52	28.26	
Maintenance	2.02	1.87	1.72	
G&A	10.00	9.00	8.00	
Overall Average Direct Cash Cost Per GEO				\$666

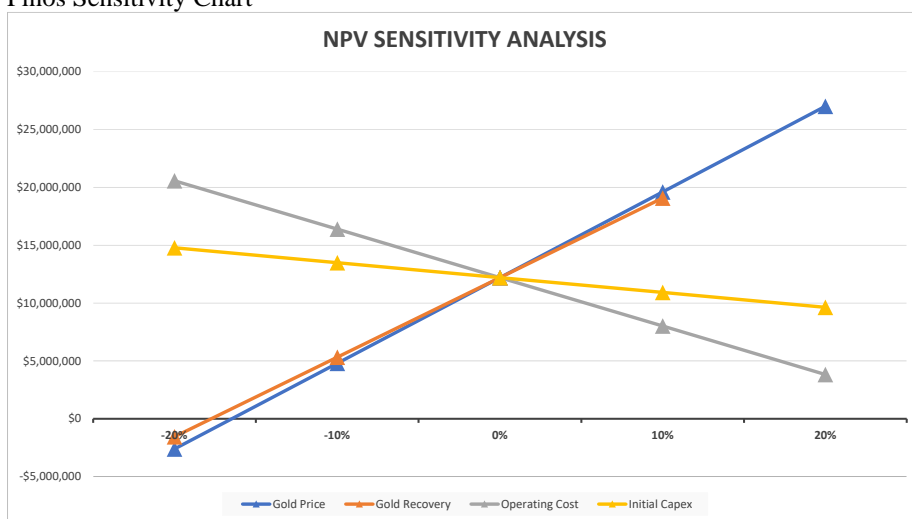
<b>Modeled Capital Costs (US\$ millions)</b>	
Mine Development	\$ 5.9
Process	\$ 5.7
Infrastructure	\$ 1.2



<b>Total Capital</b>	<b>\$12.8</b>
Working capital, owner & indirect costs	\$ 0.7
Total Initial Capital	\$13.5
Sustaining Capital	\$ 9.2
<b>Total Life of Mine Capital</b>	<b>\$22.7</b>

The project sensitivities indicate the project is most sensitive to gold price, followed by operating costs and is less sensitive to changes in capital costs.

Pinos Sensitivity Chart



**Mineral Resource Summary of the Pinos Project as of September 13, 2018.**

Resource Class	Tonnes of Material	Gold Equivalent Grade (g/t) <sup>1,2,3,4</sup>	Gold Grade (g/t) <sup>4</sup>	Silver Grade (g/t) <sup>4</sup>	Gold Ounces Contained	Silver Ounces Contained
Measured (Dumps)	85,847	2.7	1.6	82.9	4,444	228,892
Indicated	175,697	4.3	3.6	47.4	20,586	267,745
<b>Measured and Indicated</b>	<b>261,544</b>	<b>3.8</b>	<b>3.0</b>	<b>59.1</b>	<b>25,029</b>	<b>496,637</b>
<b>Inferred</b>	<b>529,267</b>	<b>4.2</b>	<b>3.6</b>	<b>47.7</b>	<b>60,671</b>	<b>811,082</b>

<sup>1</sup> g/t refers to grams per tonne

<sup>2</sup> Resource based on a 2.2 g/t gold equivalent cut-off grade

<sup>3</sup> The gold equivalent grade for the conceptual pit uses a 73.5:1 gold equivalent ounce ratio (US\$1,250/oz Gold and US\$17/oz Silver).

<sup>4</sup> The mine grades are diluted, using a 10% mine dilution factor

*Notes to Accompany Mineral Resource Table:*

1. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
2. Inferred mineral resources have a high degree of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility.
3. Mineral resources are reported with 10% dilution.
4. The resources calculated using a cut-off of 2.2 g/t gold based on US\$1,250/oz gold price, US\$17/oz silver price, mining cost of US\$39.57 per tonne ("t") of material mined, process and general and administrative expense cost of US\$42.80/t (at 200 tpd processing rate) with gold recoveries of 90% and silver recoveries of 80%.
5. Specific gravity: 2.69 g/cm<sup>3</sup>
6. Tonnes, grade values, and contained metal quantities may differ due to rounding.

The stated Mineral Resources have been prepared in accordance with the CIM classifications of Canada's NI 43-101 Standards of Disclosure for Mineral Projects.

### **Quality Assurance and Quality Control (QA/QC)**

Preparation and assaying of samples from Candelaria's Pinos project are done with strict adherence to a Quality Assurance/Quality Control (QA/QC) protocol. The custody of the samples are in charge of ALS Minerals from project to the ALS Minerals' preparation facility in Zacatecas, Zacatecas, Mexico. Quality-control (QC) samples are inserted in the sample stream every 20 samples. QC samples include standards and blanks. Sampling analysis certificates, halved drill cores, chip samples and rejects are stored for future checking and control purposes.

### **Qualified person**

Mr. Jose Antonio Olmedo, Eng. Geol. MSc. Is an Independent Consultant, located in Mexico City, Mexico, who is an "Independent Qualified Person" as defined by NI 43-101 and the lead person responsible for completing the Pinos resource has reviewed this report as it relates to the Pinos project.

Mr. David Salari, P.Eng. of DENM Engineering Ltd. located in Oakville, Ontario, Canada who is an "Independent Qualified Person" as defined by NI 43-101 and the lead person responsible for reviewing the metallurgical work for the Pinos resource has reviewed report as it relates to the Pinos project and has overseen the metallurgical and recovery methods and infrastructure.

### **Outlook**

In May 2018, the Mexican Environmental Authority (SEMARNAT) approved the Environmental Impact Assessment. The change of use of soil permit ("Estudio Tecnico Justificativo" or "ETJ") was previously approved in February 2018. Therefore, the Company has obtained all necessary permits to move forward with the project.

Currently, the Company is advancing on efforts to obtain financing in order to fund construction of the Pinos Project. Once funding has been identified and evaluated, the board will consider making the decision to construct the project.

## LIQUIDITY AND CAPITAL RESOURCES

A summary of the Company’s cash position and changes in cash and cash equivalents for:

	Three months ended October 31,		Six months ended October 31,	
<i>(table amounts are expressed in thousands of Canadian dollars)</i>	2019	2018	2019	2018
Cash used in operating activities	\$ (348)	\$ (713)	\$ (567)	\$ (1,566)
Cash flow from financing activities	478	-	491	-
Increase (decrease) in cash	130	(713)	(76)	(1,566)
Cash and cash equivalents, end of period	\$ 204	\$ 585	\$ 204	585

As at October 31, 2019, the Company’s net working capital deficit was \$3.2 million compared to net working capital deficit of \$2.4 million as at April 30, 2019. The decrease in net working capital was the result of operational expenditures and reclassification of IVA receivables from current to long term.

Cash outflow from operating activities for the current period ended October 31, 2019 was lower than 2018 as the Company is lowering general expenditures until capital markets improve.

Cash inflow from financing activities was related to advances received for the Company’s ongoing private placement. The Company’s ability to continue as a going concern is dependent on the Company’s ability to raise funds.

## SUMMARY OF CONSOLIDATED PROFIT AND LOSS

	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>				
Amortization	\$ -	\$ (8)	\$ (7)	\$ (21)
Exploration expense	(59)	(166)	(116)	(398)
General and administration (1)	(220)	(143)	(350)	(428)
Consulting and professional fees	(222)	(293)	(374)	(583)
Share-based compensation	-	(197)	-	(602)
Foreign exchange gain (loss)	(3)	(211)	(18)	(99)
Other income	-	-	18	-
Net loss	(504)	(1,018)	(847)	(2,131)
Other comprehensive gain	(43)	51	(385)	1,272
Total comprehensive income (loss) for the year	\$ (547)	\$ (967)	\$ (1,232)	(859)
Basic & diluted loss per share	(0.00)	(0.01)	(0.01)	(0.02)

<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>	October 31, 2019	October 31, 2018
Cash	\$ 204	\$ 585
Total assets	14,268	36,113
Cash dividends declared	\$ 0.00	\$ 0.00

- (1) General and administration includes all administration expense including salary and wages, investor relations and development, regulatory and filing fees, and travel, etc.

Net loss current period ended October 31, 2019 was lower than comparative periods in 2018, as the Company is lowering general expenditures until capital markets improve. Stock based compensation expense was nil due to the timing of the vesting period of options and restricted share units in the current period. Foreign exchange resulted from the strengthening of the US dollar against the Canadian dollar.

Other comprehensive income resulted from the cumulative translation adjustment from foreign exchange impact from foreign subsidiaries.

As at October 31, 2019, the Company's assets and cash decreased from comparative period in 2018, due to impairment of Caballo Blanco, operational expenditures and movement of general working capital items.

## QUARTERLY RESULTS

<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>	<b>Oct 31, 2019</b>	<b>July 31, 2019</b>	<b>April 30, 2019</b>	<b>Jan 31, 2019</b>	<b>Oct 31, 2018</b>	<b>July 31, 2018</b>	<b>April 30, 2018</b>	<b>Jan 31, 2018</b>
Amortization	\$ -	\$ (7)	\$ (8)	\$ (6)	\$ (8)	\$ (13)	\$ (9)	\$ (12)
Exploration (expense) recovery	(59)	(57)	(179)	(135)	(166)	(232)	35	(384)
Stock based compensation	-	-	(100)	(52)	(197)	(405)	(936)	-
General and administration (1)	(220)	(130)	(121)	(241)	(143)	(285)	(414)	(377)
Finance cost, and other (expense) income	-	-	-	-	-	-	(1,696)	(7)
Foreign exchange and other	(3)	3	174	57	(211)	112	87	(176)
Impairment	-	-	(20,869)	-	-	-	-	-
Net (loss) income	(504)	(343)	(22,240)	(470)	(1,018)	(1,113)	(2,933)	(956)
Other comprehensive loss	(43)	(342)	21	(287)	51	1,221	(1,164)	(42)
Net (loss) income and comprehensive loss	(547)	(685)	(21,319)	(757)	(967)	108	(4,097)	(998)
Basic & diluted earnings (loss) per share	(0.00)	(0.00)	(0.21)	(0.00)	(0.01)	(0.01)	(0.04)	(0.01)
Total assets	14,268	14,146	14,696	35,601	36,113	36,880	36,298	37,598

- (1) General and administration includes all administration expense including salary and wages, investor relations and development, regulatory and filing fees, travel, professional fees and management fees, etc.
- (2) Finance costs and other includes foreign exchange and other expenses that are not categorized

### *Three months ended October 31, 2019 compared to all historical quarters*

Net loss of \$0.5 million was lower than all of the historic quarters, except for July 31, 2019 as the Company has lowered its expenditures until capital markets improved. The difference between the current quarter and July 31, 2019 was driven mainly by timing differences of expenses incurred. Stock based compensation expense fluctuates due to timing of vesting period of stock options and restricted share units. In addition, no stock options or restricted share units were granted in the current fiscal year. Foreign exchange fluctuates dependent on the strength of the US dollar against the Canadian dollar.

Other comprehensive income resulted from the cumulative translation adjustment from foreign exchange impact from foreign subsidiaries.

### *Change in total assets*

As at October 31, 2019, total assets amounted to \$14.3 million. The Company's assets and cash decreased from comparative period in 2018 and 2017, due to impairment of Caballo Blanco, operational expenditures, repayment of debenture, and general movement in working capital items.

## SHAREHOLDER'S EQUITY

### *As at October 31, 2019 and as at the date of this report*

Candelaria's authorized capital stock consists of an unlimited number of common shares without par value. As at October 31, 2019 and the date of this report, the Company has the following shareholder equity item outstanding:

	Stock options ('000)	Share purchase warrants ('000)	Common shares ('000)
As at October 31, 2019	6,591	12,630	113,822
As at date of report	6,591	12,630	113,822

### Stock options

Table below provides a summary of the stock options outstanding as at October 31, 2019 and date of the report:

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
<b>6,591</b>	<b>6,591</b>	<b>3.31</b>	<b>\$0.67</b>	

### Warrants

As at October 31, 2019 and date of this report, 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
<b>12,630</b>	<b>\$ 0.64</b>		

## **REGULATORY DISCLOSURES**

### ***Off balance sheet arrangements***

The Company does not have any off-balance sheet arrangements as at October 31, 2019 and date of this report.

### ***Proposed Transactions***

The Company does not have any proposed transactions as at October 31, 2019 and date of this report other than as disclosed elsewhere in this document.

### ***Financial instruments***

Financial assets are classified and measured at: fair value to profit and loss (“FVTPL”), fair value to other comprehensive income (“FVOCI”) and amortized cost. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. Measurement and classification of financial assets is dependent on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset i.e. whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### ***Financial assets at amortized cost (debt instruments)***

The Company measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (“SPPI”). This is referred to as the SPPI test.

Financial assets at amortized cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired. The Company’s financial assets at amortized cost include:

- cash;
- other receivables

#### ***Financial assets at FVTPL***

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at FVTPL in its entirety.

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the Company has transferred substantially all the risks and rewards of ownership. On derecognition, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

#### ***Financial liabilities at FVTPL***

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose



of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments, such as the Company's pre-paid forward gold purchase liability. Gains or losses on financial liabilities at FVTPL are recognized in profit or loss.

#### *Financial liabilities at amortized cost*

After initial recognition, interest-bearing loans and accounts payable and accrued liabilities, and related party balances are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income. Gains and losses are recognized when the financial liability is derecognized.

The Company's financial liabilities at amortized cost include:

- accounts payable and accrued liabilities; and,
- Caballo Blanco acquisition payable

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income or loss. The modification accounting also requires that gain or loss to be recognized in the statement of profit or loss.

Financial liabilities are derecognized when the obligation specified in the underlying contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss, unless the financial liability is settled with the Company's shares, in which case it is recognized in profit or loss or equity.

#### *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at May 1, 2018.

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### *Impairment of non-financial assets*

The carrying amounts of non-financial assets are reviewed for indicators of impairment at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value-in-use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the assets are grouped together into the smallest group of assets that generate independent cash inflows and then a review is undertaken at the cash-generating unit level.

If the carrying amount of an individual asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recorded in profit or loss to reflect the asset at the lower amount. In assessing the value-in-use, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal are discounted to their present value using a pre-tax discount rate which reflects the current market's assessments of the time value of money and asset-specific risks for which the cash flow estimates have not been adjusted. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties.

A reversal of a previously recognized impairment loss is recorded in profit or loss when events or circumstances indicate that the estimates used to determine the recoverable amount have changed since the prior impairment loss was recognized. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of amortization which would have arisen if the prior impairment loss had not been recognized. After such a reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

*Fair values of financial instruments*

The fair values of financial instruments are summarized as follows:

In thousands ('000)	October 31, 2019		April 30, 2019	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Amortized cost</i>				
Cash and cash equivalents <sup>(1)</sup>	204	204	277	277
Other receivables <sup>(1)</sup>	22	22	24	24
<b>Financial liabilities</b>				
<i>Amortized cost</i>				
Accounts payable & accrued liabilities <sup>(1)</sup>	961	961	876	876
Private placement – advance	756	756	-	-
Caballo Blanco acquisition payable <sup>(1)</sup>	1,776	1,776	1,813	1,813

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

*Credit Risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. 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. The accounts payable and income taxes payable is due within the current operating period.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of 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 October 31, 2019 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

In thousands ('000)	Canadian Dollars	US Dollars	Mexico Pesos	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ 18	\$ 176	\$ 10	\$ 204
Other receivables	3	-	19	22
	21	176	29	226
<b>Financial liabilities</b>				
Accounts payables and accrued liabilities	(758)	(101)	(102)	(961)
Private placement - advance	-	(756)	-	(756)
Caballo Blanco Acquisition Payable	-	(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:

In thousands ('000)	Canadian Dollars	US Dollars	Mexico Pesos	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ 10	\$ 255	\$ 12	\$ 277
Other receivables	1	-	23	24
	11	255	35	301
<b>Financial liabilities</b>				
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)

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 \$245,700 (April 30, 2019 - \$161,900). 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 \$7,300 (April 30, 2019 - \$6,900) 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.

<b>October 31, 2019 – in thousands (‘000)</b>	<b>Current – within 1 year</b>	<b>Non- current – 1 to 3 years</b>
Accounts payables and accrued liabilities	\$ 961	\$ -
Caballo Blanco Acquisition Payable	1,776	-
	\$ 2,737	\$ -

***Exploration expenses***

The Company has not had significant revenue from operations in either of its last financial years. The Company’s primarily is involved in mining exploration and development. Here is the significant expenditure for current period:

<b>In thousands (‘000)</b>	<b>Caballo Blanco</b>	<b>Apolo</b>	<b>Total</b>
Salary, consulting and administration	\$ 2	\$ 71	\$ 73
Consumables	-	3	3
Travel	-	4	4
Equipment maintenance and rental	-	17	17
Concession payments	-	19	19
<b>Period ended October 31, 2019</b>	<b>\$ 2</b>	<b>\$ 114</b>	<b>\$ 116</b>
<b>Project to date – October 31, 2019</b>	<b>\$ 2,285</b>	<b>\$ 1,826</b>	<b>\$ 4,111</b>

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

<b>In thousands (‘000)</b>	<b>Caballo Blanco</b>	<b>Apolo</b>	<b>Total</b>
Salary, consulting and administration	\$ 283	\$ 43	\$ 326
Consumables	-	3	3
Travel	24	-	24
Equipment maintenance and rental	2	1	3
Concession payments	-	42	42
<b>Period ended October 31, 2018</b>	<b>\$ 309</b>	<b>\$ 89</b>	<b>\$ 398</b>
<b>Project to date – October 31, 2018</b>	<b>\$ 2,216</b>	<b>\$ 1,600</b>	<b>\$ 3,816</b>

***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 period ended October 31, are as follows:

In thousands ('000)	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
Professional fees	\$ 116	\$ 148	\$ 242	\$ 280
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 \$410,000 (April 30, 2019 - \$142,000) to these parties. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

### ***Capital Risk Management***

The Company's objective of capital management is to ensure that it will be able to continue as a going concern, continue the exploration of mineral properties, and identify, evaluate, and acquire additional resource properties. The capital of the Company consists of shareholders' equity. The Company is meeting its capital risk objectives by successfully raising, from time to time, the required funds through debt and equity.

### ***Internal controls and procedures***

During the period ended October 31, 2019, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer, President and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's annual financial statements for the year ended April 30, 2019 (together the "Annual Filings"). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at <http://www.sedar.com>.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

### ***Accounting estimates***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including

expectations of future events that are believed to be reasonable under the circumstances. Such estimates primarily relate to share-based transaction valuations, fair values of financial instruments and the recoverability of deferred income tax assets. Actual results could differ from those estimates. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 2 relating to going concern.

### ***Significant Accounting Policies***

Please refer to the audited annual financial statements for the year ended April 30, 2019 and unaudited interim financial statements for the period ended October 31, 2019, which was filed on SEDAR.

### ***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.

### ***Risk and uncertainties***

The operations of the Company are speculative due to the nature of its business which is the investment in the exploration and development of mining properties. These risk factors could materially affect the Company’s future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

#### *Operating Hazards and Risks*

Exploration and development of natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company has or will obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

#### *Title to Assets*

Although the Company has or will receive title options for any concessions in which it has or will acquire a material interest, there is no guarantee that title to such concessions will be not challenged or impugned. In some countries, the system for recording title to the rights to explore, develop and mine natural resources is such that a title opinion provides only minimal comfort that the holder has title. Also, in many countries, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries.

The successful exploration and development of the Company’s properties is dependent on support from local communities. A community agreement may be required to permit the Company to conduct exploration activities on its projects. There is no assurance that such an agreement can be reached or, if reached, subsequently renewed or extended. The Company is committed to working in partnership with its local communities in a manner which fosters active



participation and mutual respect. The Company works towards minimizing negative project impacts, encouraging certain joint consultation processes, addressing certain decision making processes and towards maintaining meaningful ongoing dialogue. The Company regularly consults with the communities close to its exploration and development activities.

#### *Management*

The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company.

#### *Requirement of New Capital*

As an early exploration/development company, the Company typically needs more capital than it has available to it or can expect to generate through the sale of its products. In the past, the Company has had to raise, by way of debt and equity financing, considerable funds to meet its capital needs. There is no guarantee that the Company will be able to continue to raise funds needed for its business. Failure to raise the necessary funds in a timely fashion will limit the Company's growth. It is the intention of the company to invest in cash-flowing assets, to migrate the business into a situation where the need to raise capital on the markets for continued operation is reduced over time.

#### *Metals Pricing Risk*

The feasibility of the Company's mineral exploration and development is significantly affected by changes in the market price of gold and silver. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of gold and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

#### *Risk of Foreign Operations*

In Mexico, the jurisdiction in which the Company has its operations and mineral properties, the Company is subject to various political, economic and other uncertainties, including the risks of civil unrest, expropriation, nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, and changing political conditions. In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. It is not possible for the Corporation to accurately predict such developments or changes in laws or policy or to what extent any such changes may have a material adverse effect on the Company's operations.

#### *Other Significant Risks*

In addition to the foregoing, the Company's business risks include operating hazards, environmental and other government regulations, competition in the marketplace, and the market for our securities. Its properties are located in Mexico and are subject to the laws and regulations of that country. The Company carries on its exploration activity outside of Canada. Accordingly, it is subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and foreign currencies, in particular the US dollar and the Mexican pesos. Such fluctuations may materially affect the Company's financial position and results.

Also, please refer to the "Cautionary Statement on Forward-Looking Information" at the end of the MD&A.

## **FORWARD-LOOKING STATEMENT**

This MD&A contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to such risks and uncertainties. Many factors could cause our actual results to differ materially from the statements made, including those factors discussed in filings made by us with the Canadian securities regulatory authorities. Should one or more of these risks and uncertainties, such as the actual results of current exploration and development programs, the general risks associated with the mining industry, the price of gold and other metals, reduced funding, currency and interest rate fluctuations, increased competition and general economic and market factors, occur or should assumptions underlying the forward-looking financial statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated or expected. We do not intend and do not assume any obligation to

update these forward-looking statements, except as required by law. Shareholders are cautioned not to put undue reliance on such forward-looking statements.

This MD&A has been approved by the Board of Directors of the Company, and contains certain information that is current to the date of the report. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. The Company may, but is not obligated to, provide updates to forward-looking statements, including in subsequent news releases and its annual and interim MD&A as filed with regulatory authorities. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at <http://www.sedar.com>.

#### **Qualified person**

Mr. Jim Cuttle, B.Sc, P.Geo. a qualified person as defined in National Instrument 43-101, has reviewed, and approved the technical information related to Caballo Blanco in this report.

Mr. Jose Antonio Olmedo, Eng. Geol. MSc. Is an Independent Consultant, located in Mexico City, Mexico, who is an “Independent Qualified Person” as defined by NI 43-101 and the lead person responsible for completing the Pinos resource has reviewed this report as it relates to the Pinos project.

Mr. David Salari, P.Eng. of DENM Engineering Ltd. located in Oakville , Ontario, Canada who is an “Independent Qualified Person” as defined by NI 43-101 and the lead person responsible for reviewing the metallurgical work for the Pinos resource has reviewed report as it relates to the Pinos project and has overseen the metallurgical and recovery methods and infrastructure.