



Management's Discussion and Analysis

For the six months ended October 31, 2020

(Expressed in Canadian dollars, unless otherwise noted)

December 28, 2020

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at 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 six months ended October 31, 2020, and audited consolidated financial statements for the year ended April 30, 2020, 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. (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.

Candelaria Mining is a Canadian-based gold exploration company with a portfolio of highly prospective projects in Mexico, one of the world's best mining jurisdictions. Candelaria currently own 100% of Caballo Blanco Project and the Pinos Gold Project.

HIGHLIGHTS – SIX MONTHS ENDED OCTOBER 31, 2020

- a) On June 24, 2020, the Company closed a US\$9.0 million medium term loan facility ("Facility") with Accendo Banco, S.A. ("Accendo"). Funds advanced under the Facility will be used for financing construction of the Company's Pinos project and working capital purposes. The Facility will be secured against the assets of the Company and its subsidiaries, will bear interest at 13% per annum, and have a term of 60 months from the initial draw date. Candelaria may draw US\$1.5 million upon execution of the Facility, with the balance to be made available on completion of final loan documentation. In connection with the loan facility, Accendo will receive a cash fee from the Company of 2% of the amount of the Facility, as well as 18 million non-transferable share purchase warrants (the "Bonus Warrants"). Each Bonus Warrant will entitle Accendo to purchase one common share of the Company at a price (the "Exercise Price") of \$0.11 per share for a period of 60 months.
- b) On July 31, 2020, 7,075,472 common shares were issued in connection to acquisition of the 40% of Apolo.
- c) On September 25, 2020, the Company closed shares for debt transaction and issued 2,175,030 common shares of the Company in settlement of \$\$1.09 million of indebtedness.
- d) On October 26, 2020, the Company entered into a definitive agreement to acquire 100% of GMC Investments LTD ("GMC"), a wholly-owned subsidiary of Empire Metals Ltd. ("Empire"), which holds a 50% interest in the Bolnisi Gold and Copper Project in Georgia. As consideration for the purchase of GMC, Candelaria has agreed to pay a total of \$2.0 million via the issuance of 4.0 million shares (at a deemed price of \$0.50 per share) to Empire. Upon approval of a reserves report on the Kverno Bolnisi East project by the State Reserves Committee in Georgia ("Milestone 1"), an additional payment of \$1.0 million ("Milestone 1 Price") to be satisfied via the issue of Candelaria common shares based on a previous 10-day average closing price. Furthermore, upon completion of a NI43-101 compliant technical report

disclosing a Mineral Resource on the Dambludi project (“Milestone 2”), or one other project other than Kvemo Bolnisi East, an additional payment of \$2.0 million (“Milestone 2 Price”) to be satisfied via the issue of Candelaria common shares based on a previous 10-day average closing price. And finally, upon completion of a positive feasibility study and final investment decision on the gold oxides at Kvemo Bolnisi East (“Milestone 3”), an additional payment of \$2.0 million (“Milestone 3 Price”) to be satisfied via the issue of Candelaria common shares based on a previous 10-day average closing price.

The purchase is subject to a right-of-first-refusal (“ROFR”) in favour of Empire’s Georgian joint venture partner, Caucasian Mining Group LTD (“CMG”), which must be exercised within 20 business days from Empire submitting an offer. This offer has been submitted to CMG concurrent with this announcement. Closing of the acquisition of GMC is also subject to stock exchange approval.

As at October 31, 2020 and date of approval of the Financial Statements, Candelaria is still waiting for finalization of the expiry of CMG’s ROFR and stock exchange approval.

Subsequent to October 31, 2020

On November 25, 2020, the Company sold a 0.5% net smelter return royalty (“NSR”) on production from the Pinos Project to Empress Royalty Corp. (“Empress”) for US\$750,000.

Empress also purchased an additional 0.5% NSR from a previous royalty holder on the Pinos Project, for a total of a 1.0% NSR on the Pinos Project.

The Pinos Project is subject to NSR royalties of 2.0% including the two NSR royalties held by Empress.

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 Secretaría de Medio Ambiente Y Recursos Naturales (“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 \$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 approval and 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.

Indicated and Inferred Resources (1)(2)(3)(4)					
Category	Tonnes	Au Grade (g/t)	Ag Grade (g/t)	Contained Gold Ounces	Contained Silver Ounces
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 will continue to explore options to advance the project as market conditions permit.

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. 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. This acquisition of the remaining 40% of the shares of Apolo was closed on July 31, 2020.

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. On November 25, 2020, the Company sold a 0.5% net smelter return royalty ("NSR") on production from the Pinos Project to Empress Royalty Corp. ("Empress") for US\$750.0.

Empress also purchased an additional 0.5% NSR from a previous royalty holder on the Pinos Project, for a total of a 1.0% NSR on the Pinos Project.

The Pinos Project is subject to NSR royalties of 2.0% including the two NSR royalties held by Empress.

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 (6.7 g/t Au, 50.9 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) and the Company’s website (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;

CINCO ESTRELLAS VEIN:							
Hole Number	From	To	Core Length	Est. True Width	Au	Ag	AuEq
	(m)	(m)	(m)	(m)	g/t	g/t	g/t
CA19PI034	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
CA19PI035	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
CA19PI036	34.45	35.55	1.1	1.0	2.3	5.9	2.4
CA19PI042	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
CA19PI042	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
CA19PI045	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
CA19PI046	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
CA19PI050	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
CA19PI051	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

CINCO ESTRELLAS VEIN:							
Hole Number	From	To	Core Length	Est. True Width	Au	Ag	AuEq
	(m)	(m)	(m)	(m)	g/t	g/t	g/t
CA19PI052	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
CA19PI053	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\$1,250/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.

Pinos PEA Results¹ (US\$)	
LOM (years)	7
Indicated GEO recovered (000’s) ²	88.9
Direct Cash Cost per GEO	\$666
Capital costs: (millions)	
Initial	\$13.5
Sustaining	\$9.2
After tax NPV @ 5% discount rate (millions) ³	\$12.2
After tax Internal Rate of Return (“IRR”) ³	25%
<p>¹Technical 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>²Gold equivalent ounces production was calculated at 73.5:1 conversion using \$1,250/oz gold and \$17/oz silver</p> <p>³NPV 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 1st year, 300 tpd for years 2 and 3, and 400 tpd thereafter.

Production Statistics:	
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.

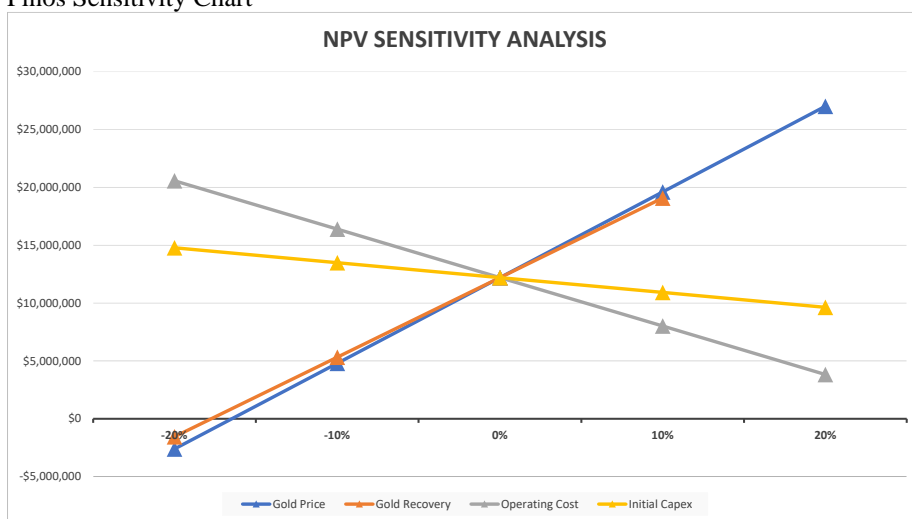
<u>Modeled Operating Costs (US\$)</u>			
	<u>200 tpd</u>	<u>300 tpd</u>	<u>400 tpd</u>
Cost / Tonne Mineralized Material	<u>\$82.36</u>	<u>\$79.87</u>	<u>\$77.37</u>
Mining	39.57	39.48	39.39
Processing	30.77	29.52	28.26
Maintenance	2.02	1.87	1.72
G&A	10.00	9.00	8.00
Overall Average Direct Cash Cost Per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

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

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

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) ^{1,2,3,4}	Gold Grade (g/t) ⁴	Silver Grade (g/t) ⁴	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
Measured and Indicated	261,544	3.8	3.0	59.1	25,029	496,637
Inferred	529,267	4.2	3.6	47.7	60,671	811,082

¹ g/t refers to grams per tonne

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

³ 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).

⁴ 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/cm³
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. The Company continues to fulfill all obligations related to the maintaining the permits in active status and is has all of the necessary authorizations commence construction on the project pending board approval once financing has been obtained. In

November 2019, the Company, carried out a 20 hole in-fill drill program to increase the confidence of the mineral resources at the Cinco Estrella Vein. This drill program helped the Company secure a US\$9 million debt facility from Accendo for the construction of the Pinos 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,	
	2020	2019	2020	2019
<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>				
Cash used in operating activities	\$ (448)	\$ (348)	\$ (1,677)	\$ (567)
Cash used in investing activities	-	-	(16)	-
Cash flow from financing activities	-	478	2,055	491
(Decrease) increase in cash	(448)	130	362	(76)
Cash and cash equivalents, end of period	\$ 404	\$ 204	\$ 404	\$ 204

As at October 31, 2020, the Company's net working capital deficit was \$2.4 million compared to net working capital deficit of \$2.2 million as at April 30, 2020. The net working capital deficit remained consistent and the difference was driven by timing differences.

Cash outflow from operating activities for the current period ended October 31, 2020 was higher than comparative period in the prior year due to improve in treasury position due to the Accendo debenture. This increased exploration and general corporate activity, resulting higher expenditures in operating activities.

Cash outflow from investing activities in the current period was solely related to transaction cost related to closing of the Apolo acquisition. There were no investing activities in the comparative period in prior year.

Cash inflow from financing activities was higher in the current period due to the withdrawing of the Accendo debenture of US\$1.5 million (\$2.0 million). There was no such debenture in the comparative period in the prior year.

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

In thousands '000	Note	Three months ended October 31,		Six months ended October 31,	
		2020	2019	2020	2019
General and administration expenses					
Amortization		\$ -	\$ -	\$ -	(7)
Exploration expense	13	(110)	(59)	(911)	(116)
Consulting and professional fees	10	(135)	(222)	(504)	(374)
General and administration		(158)	(220)	(511)	(350)
Shock-based compensation	9	(652)	-	(681)	-
		(1,055)	(501)	(2,607)	(847)
Other (expenses) income, net					
Foreign exchange gain (loss)		8	(3)	113	(18)
Finance cost		(399)	-	(586)	
Other income		-	-	-	18
Net loss		(1,446)	(504)	(3,080)	(847)

<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>	October 31, 2020	October 31, 2019
Cash	\$ 404	\$ 204
Total assets	19,701	14,268
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 for the period ended October 31, 2020 was \$3.1 million, compared with \$0.8 million in the comparative period in the prior year. The net loss was higher mainly due to increase in exploration and corporate activities, with the closing of Accendo debenture.

Exploration expenses were higher when compared with comparative period in the prior year, due to increase in exploration activities and annual concession payments for the exploration and evaluation assets. Consulting and professional fees were higher due to the accrual of bonuses related to recapitalizing the Company through the Accendo debenture. Stock based compensation was higher when compared with comparative period in the prior year. This was mainly driven by the grant of stock options and RSUs on July 27, 2020. Lastly, finance cost was higher when compared with the comparative period in the prior year. This was due to the interest accrued and non-cash accretion expense related to the Accendo debenture.

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

As at October 31, 2020, the Company's cash increased when compared to the year ended April 30, 2020, due to the withdrawal of the Accendo's debenture. In addition, the assets increased when compared to the year ended April 30, 2020 due to the capitalization of deferred charges as long term assets related to the Accendo debenture.

QUARTERLY RESULTS

<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>	Oct 31, 2020	July 31, 2020	April 30, 2020	Jan 31, 2020	Oct 31, 2019	July 31, 2019	April 30, 2019	Jan 31, 2019
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7)	\$ (8)	\$ (6)
Exploration (expense) recovery	(110)	(801)	(90)	(107)	(59)	(57)	(179)	(135)
Stock-based compensation	(652)	(29)	-	-	-	-	(100)	(52)
General and administration (1)	(293)	(722)	(190)	(349)	(442)	(282)	(121)	(241)
Finance cost, and other (expense) income	(399)	(187)	-	-	-	-	-	-
Foreign exchange and other	8	105	106	-	(3)	3	174	57
Impairment	-	-	-	-	-	-	(20,869)	-
Net loss	(1,446)	(1,634)	(174)	(456)	(504)	(343)	(22,240)	(470)
Other comprehensive loss	610	457	(2,305)	319	(43)	(342)	21	(287)
Net (loss) income and comprehensive loss	(836)	(1,177)	(2,479)	(137)	(547)	(685)	(21,319)	(757)
Basic & diluted earnings (loss) per share	(0.01)	(0.01)	(0.02)	(0.00)	(0.00)	(0.00)	(0.21)	(0.00)
Total assets	19,701	18,570	12,077	14,581	14,268	14,146	14,696	35,601

- (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, 2020 compared to all historical quarters on and prior April 30, 2020.

Net loss of \$1.4 million was higher than all of the historic quarters, except for April 30, 2019 as the Company has increased its exploration and corporate activities due to the closing of Accendo debenture. The main driver for April 30, 2019 to incur a higher net loss when compared to the current quarter was due to a \$20.9 million impairment on the Caballo Blanco project.

Exploration expenses were higher when compared with previous historic quarters due to increase in exploration activities and annual concession payments for the exploration and evaluation assets. General and administration expenses were higher due to the accrual of bonuses related to recapitalizing the Company through the Accendo debenture.

Stock based compensation expense fluctuates due to timing of the vesting period of stock options and restricted share units. The current period's stock based compensation expense was driven by a grant of stock options and RSU on July 27, 2020. 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.

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

Three months ended October 31, 2020 compared three months ended July 31, 2020

Net loss of \$1.4 million was lower than July 31, 2020 three months ended net loss of \$1.6 million. Exploration expense was lower as the annual concession payments were paid in July 31, 2020 instead of the current quarter. General and administration was also lower in the current period ended October 31, 2020 as the one-time management bonuses was declared in July 31, 2020. This decrease in expenses were offset by the increase of stock based compensation expense in the current quarter (October 31, 2020) as the stock options and RSU vested during the current quarterly.

Change in total assets

As at October 31, 2020, total assets amounted to \$19.7 million.

The Company’s assets were higher when compared with April 30, 2020 and onwards. This was due to the capitalized of deferred charges as long term assets related to the Accendo debenture.

The Company’s assets were lower when compared with January 31, 2019 and October 31, 2018. This was mainly 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, 2020 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, 2020 and the date of this report, the Company has the following shareholder equity item outstanding:

	Stock options (‘000)	RSU (‘000)	Share purchase warrants (‘000)	Common shares (‘000)
As at October 31, 2020	9,440	2,760	32,748	127,475
As at date of report	9,440	2,760	32,748	127,475

Stock options

Table below provides a summary of the stock options outstanding as at October 31, 2020 and date of the report:

Number of options (‘000s)	Number of options vested (‘000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
851	851	0.39	\$0.15	22-Mar-2021
83	83	0.41	\$0.15	31-Mar-2021
1,134	1,134	0.67	\$0.45	4-Jul-2021
3,383	3,383	0.74	\$0.90	27-Jul-2021
100	100	1.00	\$0.90	31-Oct-2021
124	124	1.06	\$0.90	23-Nov-2021
750	750	2.40	\$0.68	27-Mar-2023
2,815	-	4.74	\$0.30	27-July-2025
200	100	1.74	\$0.30	27-July-2022
9,440	6,525	2.05	\$0.56	

Warrants

As at October 31, 2020 and date of the report, 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
2,118	0.60	3-Apr-2020	3-Apr-2023
18,000	0.11	29-Jun-2020	28-Jun-2025
32,748	\$ 0.35		

REGULATORY DISCLOSURES

Off balance sheet arrangements

The Company does not have any off-balance sheet arrangements as at October 31, 2020 and date of this report.

Proposed Transactions

The Company does not have any proposed transactions as at October 31, 2020 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.

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

Level 3: valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The carrying value of cash and cash equivalents, other receivables and accounts payable and accrued liabilities approximate their fair values because of their short-term nature.

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. There are no assets carried at FVTPL.

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. Gains or losses on financial liabilities at FVTPL are recognized in profit or loss. There are no liabilities carried at FVTPL.

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;
- 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

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.

The Company recognizes loss allowances for expected credit losses (“ECL”) 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.

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

In thousands ('000)	October 31, 2020		April 30, 2020	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Amortized cost</i>				
Cash and cash equivalents	404	404	35	35
Other receivables	3	3	19	19
Financial liabilities				
<i>Amortized cost</i>				
Accounts payable & accrued liabilities	1,831	1,831	1,248	1,248
Debenture	1,055	1,055	-	-
Caballo Blanco acquisition payable	1,589	1,589	1,620	1,620

- (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, 2020 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	Mexican Pesos	Total
Financial assets				
Cash and cash equivalents	\$ 1	\$ 98	\$ 305	\$ 404
Other receivables	3	-	-	3
	4	98	305	407
Financial liabilities				
Accounts payables and accrued liabilities	(1,523)	(201)	(107)	(1,831)
Debenture	-	(1,055)	-	(1,055)
Caballo Blanco Acquisition Payable	-	(1,589)	-	(1,589)
Net financial (liabilities) assets	\$ (1,519)	\$ (2,747)	\$ 198	\$ (4,068)

The Company's financial assets and liabilities as at April 30, 2020 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
Financial assets				
Cash and cash equivalents	\$ 10	\$ 11	\$ 14	\$ 35
Other receivables	-	-	19	19
	10	11	33	54
Financial liabilities				
Accounts payables and accrued liabilities	(984)	(141)	(123)	(1,248)
Caballo Blanco Acquisition Payable	-	(1,620)	-	(1,620)
Net financial (liabilities)	\$ (974)	\$ (1,750)	\$ (90)	\$ (2,814)

The Company's reported results will be affected by fluctuations in the US dollar to Canadian dollars and Canadian dollars to Mexican Pesos exchange rate. As of October 31, 2020, a 10% appreciation of the Canadian dollars relative to the US dollars would have decreased net financial assets by approximately \$274,700 (April 30, 2020 - \$175,000). A 10% depreciation of the US dollars relative to the Canadian dollars would have had the equal but opposite effect. A 10% appreciation of the Mexican Pesos relative to the Canadian dollars would have decreased net financial assets by approximately \$19,800 (April 30, 2020 - \$9,000) 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, 2020 – in thousands ('000)	Current – within 1 year	Non-current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 1,831	\$ -
Debenture	-	1,055
Caballo Blanco Acquisition Payable	999	590
	\$ 2,830	\$ 1,645

April 30, 2020 – in thousands ('000)	Current – within 1 year	Non-current – 1 to 3 years
Accounts payables and accrued liabilities	\$ 1,248	\$ -
Caballo Blanco Acquisition Payable	1,042	578
	\$ 2,290	\$ 578

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 are the significant expenditures for current period ended:

In thousands ('000)	Caballo Blanco	Apolo	Total
Salary, consulting and administration	\$ -	\$ 129	\$ 129
Equipment maintenance and rental	-	87	87
Concessions and permitting	654	41	695
Period ended October 31, 2020	\$ 654	\$ 257	\$ 911
Project to date – October 31, 2020	\$ 2,957	\$ 2,262	\$ 5,219

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

In thousands ('000)	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

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, 2020, are as follows:

In thousands ('000)	Three months ended October 31,		Six months ended October 31,	
	2020	2019	2020	2019
Professional fees	\$ 125	\$ 116	\$ 560	\$ 242
Stock based compensation	469	-	490	-

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 2020 and 2019. 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, 2020, the Company had amounts payable of \$1,180,000 (April 30, 2020 - \$620,000) 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, 2020, 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, 2020 (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, 2020 and unaudited interim financial statements for the period ended October 31, 2020, which was filed on SEDAR.

New Accounting Standards Not Yet Effective

IFRS 3, Business Combination (“IFRS 3”)

In October 2018, the International Accounting Standards Board amended IFRS 3, Business Combinations, seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for acquisition transactions on or after January 1, 2020, although earlier application was permitted. The amended standard has a narrower definition of a business, which could result in the recognition of fewer business combinations than under the previous standard; the implication of this is that amounts which may have been recognized as goodwill in a business combination under the previous standard may now be recognized as allocations to net identifiable assets acquired under the amended standard (with an associated effect in an entity’s results of operations that would differ from the effect of goodwill having been recognized). The Company will apply the standard prospectively from May 1, 2020. The effects of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions and the Company does not expect any material impact.

IAS 1, Presentation of Financial Statements (“IAS 1”)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition, effective January 1, 2020, states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’ The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The Company will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The Company will apply the standard prospectively from May 1, 2020. The effects of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future transactions and the Company does not expect any material impact.

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.

COVID 19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

On March 30, 2020, in response to the Decree issued by the Government of Mexico for all non-essential businesses in the country to temporarily suspend operations in order to mitigate the spread of COVID-19. During the months of April 2020, the Company continued to pay taxes, duties and all other accounts payable, including full wages to all of its employees. However, continuing to make payments with significantly reduced business activities is not sustainable for an extended period of time. While the majority of our employee and contractor teams are currently operating following the extensive contagion prevention measures that have been put in place to protect the operations teams and the surrounding communities, the ever changing nature of the contingency may have a material adverse impact on the Company as it could result in further disruptions, delays in the development timeline and increased costs. In addition,

government authorities could impose new or additional requirements resulting in further limitations on the activities, or the suspension of all activities. Alternatively, in the event of an outbreak of COVID-19 at the Company's exploration projects, government authorities, either federally or locally, or the Company could determine that a full suspension of all of its business activities is necessary for the safety and protection of the workers. Moreover, the actual and threatened further spread of COVID-19 globally could continue to negatively impact stock markets, including the trading price of the Company's Common Shares, could adversely impact the Company's ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive and could result in any operations affected by COVID-19 becoming subject to quarantine. Any of these developments, and others, could have a material adverse effect on the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Other Significant Risks

In addition to the foregoing, the Company's business risks include operating hazards, environmental and other government regulations, collection risk related to IVA, 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.