



Candelaria Mining Corp.

Condensed Interim Consolidated Financial Statements
For the three and six months ended October 31, 2022 and 2021
(amounts expressed in thousands of Canadian dollars, except where indicated)

NOTICE

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS
(UNAUDITED) FOR THE THREE AND SIX MONTHS PERIOD ENDED OCTOBER
31, 2022**

The second quarter financial statements for the three and six months ended October 31, 2022 and 2021 have not been reviewed by the auditors of Candelaria Mining Corp.

CANDELARIA MINING CORP.

"Sam Wong"

SAM WONG

Chief Financial Officer

Candelaria Mining Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Note	October 31, 2022	April 30, 2022
Assets			
Current assets			
Cash and cash equivalents	4	\$ 2,053	\$ 3,804
Other receivables and prepaid expenses	3,4	689	532
Total current assets		2,742	4,336
Other receivables – non-current	3,4	1,852	1,633
Equipment		525	479
Deposit – non-current		1,087	1,087
Exploration and evaluation assets	5	10,223	9,254
Total assets		\$ 16,429	\$ 16,789
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	\$ 1,248	\$ 1,060
Caballo Blanco Acquisition Payable	4,5(b)	1,023	959
Total current liabilities		\$ 2,271	\$ 2,019
Debenture	6	1,793	1,367
Caballo Blanco Acquisition Payable – non-current	5(b)	535	471
Total liabilities		\$ 4,599	\$ 3,857
Shareholders' equity			
Share capital		60,919	60,919
Reserves		11,861	10,467
Deficit		(60,950)	(58,454)
		11,830	12,932
Total liabilities and shareholders' equity		\$ 16,429	\$ 16,789

Nature of operations and going concern (note 1)

Approved by the Board of Directors

"Ramon Perez" Director

"Matthew Roma" Director

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

Candelaria Mining Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	Notes	Three months ended October 31,		Six months ended October 31,	
		2022	2021	2022	2021
General and administration expenses					
Exploration expense	12	\$ (468)	\$ (491)	\$ (886)	\$ (614)
Consulting and professional fees	9	(260)	(281)	(562)	(543)
Salary and wages		(52)	(143)	(106)	(143)
Investor development		(34)	(278)	(86)	(278)
General and administration		(37)	(53)	(83)	(213)
Travel		-	(6)	(11)	(6)
Regulatory and filing fees		(22)	(19)	(32)	(19)
Stock-based compensation	8	(174)	(153)	(352)	(562)
Net loss before other (expense) income		(1,047)	(1,424)	(2,118)	(2,378)
Other (expenses) income, net					
Foreign exchange gain (loss)		(114)	36	(144)	1
Gain on settlement of payables			214	17	214
Finance cost	6	(121)	(193)	(251)	(320)
Other		1	-	-	-
Net loss		(1,281)	(1,367)	(2,496)	(2,483)
Other comprehensive gain (loss) (“OCI”)					
Items that may be reclassified to profit or loss					
Gain (loss) on translation of foreign operations		1,136	(450)	1,042	(141)
Total comprehensive loss		(145)	(1,817)	(1,454)	(2,624)
Loss per share – basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average shares outstanding (000’s) – basic and diluted		149,411	137,553	149,411	133,181
Total shares issued and outstanding (000’s)		149,411	148,541	149,411	148,541

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

Candelaria Mining Corp.

CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY

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

	Notes	Shares (^{'000})	Share capital	Reserves	RSU Reserves	Translation Reserves	Deficit	Total equity
As at April 30, 2022		149,411	\$ 60,919	\$ 11,904	\$ -	\$ (1,437)	\$ (58,454)	\$ 12,932
Stock based compensation	8	-	-	319	33	-	-	352
Cumulative translation		-	-	-	-	1,042	-	1,042
Net loss for the period		-	-	-	-	-	(2,496)	(2,496)
As at October 31, 2022		149,411	\$ 60,919	\$ 12,223	\$ 33	\$ (395)	\$ (60,950)	\$ 11,830

		Shares (^{'000})	Share capital	Reserves	RSU Reserves	Translation Reserves	Deficit	Total equity
As at April 30, 2021		128,829	\$ 51,807	\$ 11,428	\$ 422	\$ (1,701)	\$ (47,779)	\$ 14,177
Share issuance, stock options exercised	7	83	66	(28)	-	-	-	38
Share issuance, private placement	7	18,759	8,393	-	-	-	-	8,393
RSU redemption	8	870	313	-	(313)	-	-	-
Stock based compensation	8	-	-	382	180	-	-	562
Cumulative translation		-	-	-	-	(141)	-	(141)
Net loss for the period		-	-	-	-	-	(2,483)	(2,483)
As at October 31, 2021		148,541	\$ 60,579	\$ 11,782	\$ 289	\$ (1,842)	\$ (50,262)	\$ 20,546

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

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Three months ended October 31,		Six months ended October 31,	
		2022	2021	2022	2021
Cash flow from (used in) operating activities					
Net loss for the period		\$ (1,281)	\$ (1,367)	\$ (2,496)	\$ (2,483)
Items not affecting cash					
Unrealized foreign exchange		116	(58)	146	(5)
Stock based compensation	8	174	153	352	562
Gain on settlement of payables		-	(214)	-	(214)
Finance cost – debenture	6	133	128	263	252
Change in non-cash operating working capital					
Accounts receivable and prepaid expense		(340)	(396)	(375)	(484)
Accounts payable and accruals		20	(844)	250	(615)
Total cash flow from (used in) operating activities		(1,178)	(2,598)	(1,860)	(2,987)
Cash flow from (used in) investing activities					
Expenditures – equipment		-	-	-	(125)
Total cash flow from (used in) investing activities		-	-	-	(125)
Cash flow from (used in) financing activities					
Proceeds from private placement		-	8,393	-	8,393
Payment of interest of Debenture	6	-	(62)	-	(121)
Proceeds from stock options exercised	8	-	-	-	38
Total cash flow from (used in) financing activities		-	8,331	-	8,310
Increase (decrease) in cash and cash equivalents		(1,178)	5,733	(1,860)	5,198
Foreign exchange impact on cash and cash equivalents		215	17	109	2
Cash and cash equivalents – beginning of year		3,016	206	3,804	756
Cash and cash equivalents – end of period		2,053	5,956	2,053	5,956
Cash		\$ 2,053	\$ 5,956	\$ 2,053	\$ 5,956
Short term investment		-	-	-	-
Cash and cash equivalents – end of period		\$ 2,053	\$ 5,956	\$ 2,053	\$ 5,956

Candelaria Mining Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended October 31, 2022 and 2021

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

1 Nature of Operations and Going Concern

Candelaria Mining Corp. (the “Company”) is a British Columbia public company listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “CAND”. The Company also trades under the symbol “CDELFF” on OTCQX. 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 May 11, 2016, the Company signed an agreement to acquire the Caballo Blanco Gold Project (“Caballo Blanco”) in Veracruz from Molimentales Del Noroeste, SA de CV, a subsidiary of Alio Gold Inc. (“Alio”), formerly Timmins Gold Corp. (Note 5(b)).

On December 5, 2018, the Company announced that it had 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 Apolo. The transaction was closed on July 31, 2020 upon exchange approval.

Going Concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, twelve months from the end of the reporting year.

The Company has not yet generated income or cashflow from operations. As at October 31, 2022, the Company had cash and cash equivalents of \$2,053 (April 30, 2022 - \$3,804), a working capital of \$471 (April 30, 2022 - \$2,317) and an accumulated deficit of \$60,950 (April 30, 2022 - \$58,454 deficit). For the six months ended October 31, 2022, the Company incurred a net loss of \$2,496 (October 31, 2021 – loss of \$2,483) and negative cashflows from operations of \$1,860 (October 31, 2021 - \$2,987 outflow). The Company will require additional financing, through various means including but not limited to equity financings, to continue with its exploration and development programs and to meet its future obligations and administrative expenses. There is no assurance that the Company will be successful in raising the additional required funds.

The above noted conditions indicate the existence of material uncertainties that cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

COVID-19

Candelaria has been impacted by the outbreak of the COVID-19 pandemic. The Company has taken a number of measures to safeguard the health of its employees and their local communities while continuing to operate safely and responsibly. All of the Company’s assets’ work areas have reduced exploration activities, which will be in effect until the resumption of normal activities is deemed safe and appropriate. The Company acted in compliance with Mexican government-ordered restrictions. The gradual resumption towards full exploration activities occurred during the year ended April 30, 2022 and complied with the recommendations of Mexican governments and public health officials, with full attention to the health and safety of returning employees, contractors, and suppliers.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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2 Basis of Presentation

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended April 30, 2022. The financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Canadian dollars.

The Company’s interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on December 29, 2022.

Use of estimates and judgements

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

Acquisition of mineral property interests

The Company treats the acquisition of a mineral property interest as either a business combination or asset purchase. The determination of treatment is based upon an assessment of factors at the time of acquisition.

A business combination is a transaction in which control over one or more businesses is obtained. A business is defined as an integrated set of activities and assets that is capable of creating outputs which provide a positive economic return to stakeholders. If the integrated set of activities and assets is in the exploration or development stage and therefore does not have outputs, the Company considers other factors to determine if the assets are a business. These include, but are not limited to, whether the set of activities and assets:

- (a) has planned principal activities;
- (b) has identified mineral reserves and processes needed to generate the inputs required for output production;
- (c) is pursuing a plan to produce outputs; and
- (d) will be able to sell the produced outputs.

Not all of the above factors need to be present for a particular integrated set of activities and assets in the development stage to qualify as a business. Business acquisitions are accounted for using the acquisition method, in which the acquired assets and liabilities are recorded at fair value at the date of acquisition. Direct costs associated with a business combination are expensed as incurred.

Acquisitions in which a business is not acquired are treated as an asset purchase. Under an asset purchase, the fair value of the consideration provided is allocated to the individual fair value of assets and liabilities assumed on the basis of their

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relative fair values at the time of acquisition. The costs of acquisition for an asset acquisition are deferred and capitalized in the period they are incurred. In the event the acquisition is not completed, these costs would be immediately expensed.

The Apolo and Caballo Blanco acquisitions were treated as an asset purchase since, at time of acquisition, they did not meet the definition of a business under IFRS 3 *Business Combinations*.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The determination of a compliant resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred).

Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of such expenditures is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Share-based payments

The Company grants share-based awards as an element of compensation that includes stock options and restricted share units.

Share-based payments for stock options are determined using the Black-Scholes option pricing model based on estimated fair values at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Share-based payments for restricted share units are determined using the market price at the date of grant and is expensed to profit or loss over each award's vesting period.

Derivative assets and liabilities

Management is required to determine assumptions used in financial fair value models to estimate derivatives liabilities raised from share purchase warrants, and gold forward contracts where contractually applicable. The assumptions may be adjusted at each reporting period and the actual value of the derivative liability may differ from the amount currently provided.

Functional Currency

The Company is involved in the exploration and development of gold with continued operations that are heavily reliant on international economics such as the price and demand of gold and other commodities. The parent company's resources, and competitive forces are measured in Canadian dollars and have determined the functional currency of all its entities to be Canadian dollars. For all of the foreign subsidiaries, which are located in Mexico, the functional currency is denominated in Mexican Pesos.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All amounts are expressed in Canadian dollars, unless otherwise stated. Intercompany transactions and balances between the Company and its

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subsidiaries are eliminated. The principal subsidiaries of the Company and their geographic location as at October 31, 2022 were as follows:

	Jurisdiction	Ownership %
Candelaria Mining Corp.	Canada	N/A – parent company
Grupo Minero Candelaria SAPI de CV	Mexico	100%
Maquila de Minerales SA de CV	Mexico	100%
Minera Apolo SA de CV	Mexico	100%
Minera Catanava SA de CV	Mexico	100%
Minera Caballo Blanco SA de CV	Mexico	100%

3 Other Receivables and Prepaid Expenses

	October 31, 2022	April 30, 2022
Other receivable	\$ 325	\$ 106
IVA receivables*	1,852	1,633
Prepaid expenses	364	426
	\$ 2,541	\$ 2,165
Non current portion	1,852	\$ 1,633
Current portion	\$ 689	\$ 532

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

4 Financial Instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

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	October 31, 2022		April 30, 2022	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Amortized cost</i>				
Cash and cash equivalents	2,053	2,053	3,804	3,804
Other receivables	325	325	106	106
Financial liabilities				
<i>Amortized cost</i>				
Accounts payable & accrued liabilities	1,248	1,248	1,060	1,060
Debenture	1,793	1,793	1,367	1,367
Caballo Blanco acquisition payable	1,558	1,558	1,430	1,430

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. The Company's cash and cash equivalents are held through large Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 10. The accounts payable is due within the current operating period.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and 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, 2022 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

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

	Canadian Dollars	US Dollars	Mexican Pesos	Total
Financial assets				
Cash and cash equivalents	\$ 1,924	\$ 13	\$ 116	\$ 2,053
Other receivables	39	-	286	325
	1,963	13	402	2,378
Financial liabilities				
Accounts payables and accrued liabilities	(103)	(868)	(277)	(1,248)
Debenture	-	(1,558)	-	(1,558)
Caballo Blanco Acquisition Payable	-	(1,793)	-	(1,793)
Net financial (liabilities) assets	\$ 1,860	\$ (4,206)	\$ 125	\$ (2,221)

The Company's financial assets and liabilities as at April 30, 2022 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

	Canadian Dollars	US Dollars	Mexican Pesos	Total
Financial assets				
Cash and cash equivalents	\$ 3,668	\$ 25	\$ 111	\$ 3,804
Other receivables	20	-	86	106
	3,688	25	197	3,910
Financial liabilities				
Accounts payables and accrued liabilities	(68)	(670)	(322)	(1,060)
Debenture	-	(1,367)	-	(1,367)
Caballo Blanco Acquisition Payable	-	(1,430)	-	(1,430)
Net financial (liabilities) assets	\$ 3,620	\$ (3,442)	\$ (125)	\$ 53

The Company's reported results will be affected by fluctuations in the US dollar to Canadian Dollar and Mexican Pesos to Canadian Dollar exchange rate. As of October 31, 2022, a 10% appreciation of the Canadian Dollar relative to the US Dollars would have decreased net financial assets by approximately \$421 (April 30, 2022 - \$344). 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 Canadian Dollar relative to the Mexican Pesos would have decreased net financial assets by approximately \$13 (April 30, 2022 - \$13) and a 10% depreciation of the Mexican Peso 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.

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The table below summarizes the maturity profile of the Company's non-derivative financial liabilities.

October 31, 2022	Current – within 1 year	Non-current – 1 to 5 years
Accounts payables and accrued liabilities	\$ 1,248	\$ -
Debenture	-	1,793
Caballo Blanco Acquisition Payable	1,023	535
	\$ 2,271	\$ 2,328

5 Exploration and Evaluation Assets

	Pinos Project	Caballo Blanco Project	Total
April 30, 2021	\$ 8,965	\$ -	\$ 8,965
Cumulative translation adjustment – foreign exchange	289	-	289
April 30, 2022	\$ 9,254	\$ -	\$ 9,254
Cumulative translation adjustment – foreign exchange	969	-	969
October 31, 2022	\$ 10,223	\$ -	\$ 10,223

a) Pinos Project

On February 27, 2015, the Company, entered into 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 Minera Apolo.

On July 31, 2020, the Company acquired the remaining 40% of Apolo. The Company issued 7,075,472 shares with a fair value of \$3,750. The Company incurred a transaction cost of \$16. As there was no change in control within Apolo, a reversal of NCI of \$1,763 was recorded. The net impact of \$2,003 was recorded in retained deficit.

The Company granted 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 \$974 (US\$750). The Company can buy back 0.25% of this NSR, from Empress, for US\$937.

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, in total, is subjected to NSR royalties of 2.0%.

b) Mineral interest in Caballo Blanco

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 Argonaut Gold Inc. Pursuant to the terms of the agreement, the Company will pay Molimentales a total of US\$12.5 million in cash and assume US\$5 million in liabilities in exchange for the project and all related rights and assets.

Pursuant to the terms of the agreement, the Company will acquire the Caballo Blanco project in exchange for cash payments to be paid over a period of twelve months. The Company has fulfilled all of terms and payments except for

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US\$750 (\$959 as at April 30, 2022). This amount will be paid out to Alio when one of the concessions, which is currently under legal dispute, reaches legal settlement.

The Company agreed to assume a US\$5.0 million payment obligation owing to Goldgroup Mining Inc (“Goldgroup”). On August 18, 2016, the Company settled a US\$5 million contingent payment to Goldgroup in exchange for US\$3.1 million in payments. Pursuant to the settlement, the Company has paid US\$2.5 million. This was paid directly from Credipresto; as a result, the Company issued a corresponding US\$2.5 million convertible debenture. The remaining balance is US\$600 (\$768), to be paid upon SEMARNAT approval.

Caballo Blanco is subjected to two separate underlying royalty commitments as defined below:

- i) Almaden Minerals Limited retains a 1.5% NSR
- ii) A 3rd party (arm’s length) retains an NSR as follows:
 - 1.25% NSR up to 1,000 tonnes per day
 - 1.00% NSR from 1,001 to 1,500 tonnes per day
 - 0.75% NSR from 1,501 to 10,000 tonnes per day
 - 0.5% NSR from 10,001 or more tonnes per day

As at October 31, 2022, the Company expects the liability to be settled in 4 years. The face value of US\$600 is discounted over 4 years with the discount rate of 13%.

	October 31, 2022
Opening balance at beginning of the fiscal year	\$ 471
Accretion expense	32
Foreign exchange impact	32
Caballo Blanco Acquisition – non current portion	\$ 535
Caballo Blanco Acquisition – current portion	\$ 1,023
Caballo Blanco Acquisition – total	\$ 1,558

Total Caballo Blanco acquisition payable as at October 31, 2022 was \$1,558 (April 30, 2022 - \$1,430).

6 Debenture

On June 24, 2020, the Company closed a US\$9,000 medium term loan facility (“Debenture”) with Accendo Banco, S.A. (“Accendo”). Funds advanced under the Debenture will be used for financing construction of the Company’s Pinos project and working capital purposes. The Debenture 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. The Company withdrew US\$1,500 (\$2,040) upon execution of the Debenture, with the balance to be made available on completion of final loan documentation.

In connection with the Debenture, Accendo received a cash fee from the Company of 2% of the drawn amount of the Debenture, 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. The warrants and other transaction costs were determined to be prepayment for financing services in

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relation to the funds available under the Debenture. The transaction costs have been recorded as a deferred asset on the balance sheet and will be recognized against the liability and amortized into finance cost as amounts are drawn.

On September 28, 2021, the Company learned that the Mexican National Banking and Securities Commission notified Accendo of the revocation of its authorization to organize and operate as a multiple banking institution due to Accendo falling below the regulatory minimum levels of liquidity coverage ratio of the institution. The Company was not expecting to draw additional funds under the loan facility in the short term. Due to these events, the Company anticipates that its ability to draw any future funds may be impaired. As a result, the remainder of the transaction costs recorded as a deferred asset on the balance sheet have been recognized in the statement of loss and comprehensive loss for the year ended April 30, 2022.

The following are the transaction costs incurred related to the Debenture:

Deferred Charges - Debenture	Carrying value
Warrants issued	\$ 6,253
Other transaction cost	52
Allocated to debt (pro rata based on drawn amount)	(1,044)
Deferred charges – Debenture, April 30, 2021	\$ 5,261
Finance cost – write-off given no further drawdown	(5,261)
Deferred charges – Debenture, April 30, 2022	\$ -

The following table is the carrying value of the Debenture:

Debenture – Carrying Value	
Debenture – April 30, 2021	\$ 990
Finance cost – interest accrued	244
Interest paid	(123)
Finance cost – accretion of Debenture	209
Foreign exchange impact	47
Debenture – April 30, 2022	\$ 1,367
Finance cost – interest accrued	128
Interest paid	-
Finance cost – accretion of Debenture	104
Foreign exchange impact	194
Debenture – October 31, 2022	\$ 1,793

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7 Share Capital

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

Share issuance – period ended October 31, 2022

There were no common share issuances during the three and six months ended October 31, 2022.

Share issuance – period ended April 30, 2022

- a) On July 2, 2021, 83,333 common shares were issued in connection with stock options exercised at a price of \$0.45 per share. Total proceeds received was \$38.
- b) On July 27, 2021, 869,997 common shares were issued in connection to RSU redemptions. \$313 was reclassified from RSU reserves to share capital.
- c) On September 21, 2021, 17,622,494 units issued at a price of \$0.45 per unit for gross proceeds of \$7,930. Each unit consisted of one common share of the Company and one-half of a common share purchase warrant, with each full warrant entitling the holder thereof to acquire one common share of the Company at a price \$0.65 (with an expiry date of September 23, 2024). The warrants were valued at nil under the residual method. The total transaction costs recognized against the amount recorded in share capital was \$1.
- d) On October 29, 2021, 1,136,997 units issued at a price of \$0.45 per unit for a gross proceeds of \$512 of a non-brokered private placement. Each unit consisted of one common share of the Company and one-half of a common share purchase warrant, with each full warrant entitling the holder thereof to acquire one common share of the Company at a price \$0.65 per share (with an expiry date of October 29, 2024). The warrants were valued at nil under the residual method. The total transaction costs recognized against the amount recorded in share capital was \$49.
- e) On January 27, 2022, 869,997 common shares were issued in connection to RSU redemptions. \$340 was reclassified from RSU reserves to share capital.

Warrants

Share purchase warrants

	Warrants outstanding ('000)	Weighted average exercise price
As at April 30, 2021	20,118	\$0.16
Warrants issuance	9,380	\$0.65
As at April 30, 2022	29,498	\$0.32
Warrants issuance	-	-
As at October 31, 2022	29,498	\$0.32

In connection with the private placement on September 21, 2021 and October 29, 2021 (note 7), the Company issued a total of 9,379,743 share purchase warrants, with an exercise price of \$0.65 and expires 5 years from grant date. The warrants were valued at \$nil under the residual method.

In connection to the closing of the Debenture on June 24, 2020 (see note 6), the Company issued 18,000,000 share purchase warrants on June 29, 2020, with an exercise price of \$0.11 and expiry date of June 28, 2025. With the following assumptions of the Black-Scholes Model:

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- Fair value of the common shares at issuance of \$0.36,
- Expected life of 5 years,
- Volatility of 164%,
- 0% dividend rate and
- 0.35% risk free rate

The warrants were valued at \$6,253 (see note 6).

As at October 31, 2022, the Company has the following share purchase warrants outstanding:

Warrants outstanding ('000)	Exercise price	Date of Grant	Date of Expiry
2,118	0.60	3-Apr-2020	3-Apr-2023
18,000	0.11	29-Jun-2020	28-June-2025
8,811	0.65	21-Sep-2021	21-Sept-2024
569	0.65	29-Oct-2021	29-Oct-2024
29,498	\$ 0.32		

As at April 30, 2022, the Company has the following share purchase warrants outstanding:

Warrants outstanding ('000)	Exercise price	Date of Grant	Date of Expiry
2,118	0.60	3-Apr-2020	3-Apr-2023
18,000	0.11	29-Jun-2020	28-June-2025
8,811	0.65	21-Sep-2021	21-Sept-2024
569	0.65	29-Oct-2021	29-Oct-2024
29,498	\$ 0.32		

8 Share Based Compensation

The Company has a share purchase option plan which provides for equity participation in the Company by its directors, officers, employees, consultants and consultant companies through the acquisition of common shares pursuant to the grant of options to purchase shares. The option plan is administered by the Board of Directors. Options may be granted on such terms as the Board may determine within the limitations of the option plan and subject to the rules and policies of applicable regulatory authorities. The maximum aggregate number of shares reserved for issuance for options granted under the option plan is approximately 14.85 million common shares. The exercise price for options granted may not be less than the market price of the shares on the day immediately preceding the date of the grant of the option.

- a) On November 1, 2021, the Company granted to consultants incentive stock options to acquire 75,000 common shares of the Company at a price of \$0.65 per share expiring two years from the date of grant. All options vest in five equal installments over 12 months. The fair value of these options at the date of grant was estimated at \$22 using the Black-Scholes option pricing model with the following assumptions: a two-year expected average life; 147% volatility; risk-free interest rate of 1.48%; forfeiture rate of 0%, and a dividend yield of 0%.

On April 27, 2022, the Company granted incentive stock options pursuant to its stock option plan, to employees, directors and officers of the Company, to purchase up to an aggregate of 4,120,000 common shares of the Company at a price of \$0.14 per share expiring five years from the date of grant. All options vest in three equal installments over 18 months. The fair value of these options at the date of grant was estimated at \$519 using the Black-Scholes option

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pricing model with the following assumptions: a five-year expected average life; 144% volatility; risk-free interest rate of 2.62%; forfeiture rate of 0%, and a dividend yield of 0%.

Stock options outstanding	October 31, 2022		April 30, 2022	
	Number of shares (000's)	Weighted average exercise price	Number of shares (000's)	Weighted average exercise price
Outstanding – beginning of year	8,985	\$ 0.29	9,531	\$ 0.60
Options exercised	-	-	(83)	0.45
Options expired	(200)	0.30	(4,658)	0.79
Options granted	-	-	4,195	0.15
Outstanding – end of period	8,785	\$ 0.29	8,985	\$ 0.29

The following table discloses the number of options and vested options outstanding as at October 31, 2022:

Number of options (‘000s)	Number of options vested (‘000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
750	750	0.40	\$0.68	27-Mar-2023
2,815	2,815	2.74	\$0.30	27-Jul-2025
1,025	1,025	3.39	\$0.54	21-Mar-2026
75	75	1.00	\$0.65	01-Nov-2023
4,120	1,373	4.49	\$0.14	27-Apr-27
8,785	6,038	3.42	\$0.29	

The following table discloses the number of options and vested options outstanding as at April 30, 2022:

Number of options (‘000s)	Number of options vested (‘000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
750	750	0.91	\$0.68	27-Mar-2023
2,815	2,815	3.24	\$0.30	27-Jul-2025
200	200	0.24	\$0.30	27-Jul-2022
1,025	1,025	3.89	\$0.54	21-Mar-2026
75	30	1.51	\$0.65	01-Nov-2023
4,120	-	4.99	\$0.14	27-Apr-27
8,985	4,820	3.84	\$0.29	

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- b) On April 27, 2022, the Company granted 461,677 restricted share units (“RSUs”) to employees, directors and officers of the Company pursuant to the restricted share unit plan. The deemed price per RSU was \$0.14 for a total fair value of \$65. The RSUs all vest one year from grant date.

RSUs outstanding	October 31, 2022		April 30, 2022	
	Number of RSUs (000's)	Deemed Grant Price	Number of RSUs (000's)	Deemed Grant Price
Outstanding – beginning of year	462	\$ 0.14	1,740	\$ 0.36
RSUs granted	-	-	462	0.14
RSUs vested	-	-	(1,740)	0.36
RSUs cancelled	-	-	-	-
Outstanding – end of period	462	\$ 0.14	462	\$ 0.14

9 Related Party Transactions

The Company’s related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm’s length.

The Company incurred the following expenses with related parties during the period ended October 31, 2022, as follows:

	Three months ended October 31,		Six months ended October 31,	
	2022	2021	2022	2021
Professional fees	\$ 191	\$ 148	\$ 383	\$ 338
Director’s fees	4	31	12	31
Stock based compensation	136	298	276	407

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 2022 and 2021. 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, 2022, the Company had amounts payable of \$604 (April 30, 2022 - \$430) to these parties. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

10 Capital Management

The capital of the Company consists of items included in shareholder’s equity. The Company’s objectives for capital management are to safeguard its ability to support the Company’s normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in shareholders’ equity, net of cash and cash equivalents as follows:

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	October 31, 2022	April 30, 2022
Total equity for owners	\$ 11,830	\$ 12,932
Less: cash and cash equivalents	(2,053)	(3,804)
	\$ 9,777	\$ 9,128

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at October 31, 2022, the Company expects its capital resources will support its normal operating requirements, planned development and exploration of its mineral properties. There are no externally imposed capital requirements to which the Company has not complied.

11 Segment Disclosures

The Company operates in one operating segment (mineral exploration) in Mexico. Details of the investments in exploration and evaluation assets are disclosed in Note 5 and 12. The Company's assets by country are:

October 31, 2022	Canada	Mexico	Total
Cash and cash equivalents	\$ 1,937	\$ 116	\$ 2,053
Accounts receivable and prepaid expenses	65	624	689
	2,002	740	2,742
Other receivables – non current	-	1,852	1,852
Deposit – non current	-	1,087	1,087
Equipment	-	525	525
Exploration and evaluation assets	-	10,223	10,223
Total assets	\$ 2,002	\$ 14,427	\$ 16,429
Segment loss for the three months ended	\$ (690)	\$ (591)	\$ (1,281)
Segment loss for the six months ended	\$ (1,385)	\$ (1,111)	\$ (2,496)

October 31, 2021	Canada	Mexico	Total
Cash and cash equivalents	\$ 5,843	\$ 108	\$ 5,951
Accounts receivable and prepaid expenses	876	82	958
	6,719	190	6,909
Other receivables – non current	-	1,475	1,475
Deposit – non current	-	1,087	1,087
Deferred charges - Debenture	5,261	-	5,261
Equipment	-	396	396
Exploration and evaluation assets	-	8,843	8,843
Total assets	\$ 11,980	\$ 11,991	\$ 23,971
Segment loss for the three months ended	\$ (782)	\$ (585)	\$ (1,367)
Segment loss for the six months ended	\$ (1,597)	\$ (886)	\$ (2,483)

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12 Exploration Expenses

During the period ended October 31, 2022, the Company incurred an exploration expense on general project investigation and evaluation expense on various projects:

	Caballo Blanco	Pinos	Total
Salary, consulting and administration	\$ -	\$ 192	\$ 192
Equipment maintenance and rental	-	24	24
Concessions and permitting	666	4	670
Period ended October 31, 2022	\$ 666	\$ 220	\$ 886
Project to date – October 31, 2022	\$ 4,539	\$ 3,641	\$ 8,180

During the period ended October 31, 2021, the Company incurred exploration expenses on general project investigation and evaluation expense on various projects:

	Caballo Blanco	Pinos	Total
Salary, consulting and administration	\$ -	\$ 305	\$ 305
Equipment maintenance and rental	-	71	71
Concessions and permitting	197	41	238
Period ended October 31, 2021	\$ 197	\$ 417	\$ 614
Project to date – October 31, 2021	\$ 3,368	\$ 2,955	\$ 6,323