CANDELARIA MINING CORP.

(Formerly BRANCO RESOURCES LTD.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements.

CANDELARIA MINING CORP.
(Formerly Branco Resources Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

	July 31, 2016	April 30, 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	$ 1,639,517	$ 1,584,136
GST receivable	7,383	6,723
Prepaid expenses	10,725	5,765
	1,657,625	1,596,624
Investment in Apolo (Note 9)	1,055,725	1,055,725
Advances to Apolo (Note 9)	1,621,833	850,247
Investment in Caballo (Note 10)	16,745,027	-
TOTAL ASSETS	$ 21,080,210	$ 3,502,596
LIABILITIES		
Current Liabilities		
Accounts payable	$ 30,240	$ 65,693
Accrued liabilities	28,125	20,000
Promissory note (Note 10)	3,259,100	-
	3,317,465	85,693
Non-current Liability		
Convertible note (Note 5)	1,625,000	-
	1,625,000	-
TOTAL LIABILITIES	4,942,465	85,693
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	17,649,646	4,826,970
Stock option reserve (Note 6)	2,505,306	144,832
Warrant reserve (Note 6)	41,793	
Subscription receivable (Note 6)	(68,475)	(177,500)
Deficit	(3,990,525)	(1,377,399)
TOTAL SHAREHOLDERS' EQUITY	16,137,745	3,416,903
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 21,080,210	$ 3,502,596

Subsequent events (Note 11)

These financial statements were approved on behalf of the Board of Directors on September 29, 2016.

"Sokhie Puar"
Director

"Ramon Perez"
Director

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

CANDELARIA MINING CORP.

(Formerly Branco Resources Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended July 31	
	2016	2015
Expenses		
Filing and listing fees	**$ 20,152**	$ 595
Finance expense	**8,125**	-
Management fees (Note 7)	**15,633**	-
Office and administration (Note 7)	**24,877**	24,118
Professional fees (Note 7)	**33,429**	4,568
Project evaluation	**40,056**	26,953
Property investigation	**44,492**	25,700
Share-based payments	**2,368,091**	-
Loss before other expense	**(2,554,855)**	(81,934)
Other expense		
Gain (Loss) on foreign exchange	**(58,271)**	130,973
Net and comprehensive loss for the period	**$ (2,613,126)**	$ 49,039
Loss per share - basic and diluted	**$ (0.02)**	$ 0.01
Weighted average number of shares outstanding	**160,372,590**	6,572,000

CANDELARIA MINING CORP.

(Formerly Branco Resources Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital		Stock option	Warrant	Share	Subscriptions		
	Number	**Amount**	**reserve**	**Reserve**	**subscriptions**	**receivable**	**Deficit**	**Total**
Balance, April 30, 2015	**8,002,000**	**$ 511,068**	**$ 28,462**	**$ -**	**$ 2,407,188**	**$ -**	**$ (662,678)**	**$2,284,040**
Cash received for share subscriptions	-	-	-	-	125,000	-	-	125,000
Cash refunded for subscription amended	-	-	-	-	(150,000)	-	-	(150,000)
Net gain for the period	-	-	-	-	-	-	49,039	49,039
Balance, July 31, 2015	**8,002,000**	**$ 511,068**	**$ 28,462**	**$ -**	**$ 2,382,188**	**$ -**	**$ (613,639)**	**$2,308,079**
Balance, April 30, 2016	**94,528,750**	**$ 4,826,970**	**$ 144,832**	**$ -**	**$ -**	**$ (177,500)**	**$(1,377,399)**	**$3,416,903**
Share issued for cash	124,558,999	13,158,900	-	-	-	(51,375)	-	13,107,525
Options exercised	200,000	17,617	(7,617)	-	-	(10,000)	-	-
Cash payment for share issue costs	-	(312,048)	-	-	-	-	-	(312,048)
Warrant issued for finder fees	-	(41,793)	-	41,793	-	-	-	-
Share-based payments	-	-	2,368,091	-	-	-	-	2,962,379
Proceed collected from subscription receivable	-	-	-	-	-	170,400	-	170,400
Net loss for the period	-	-	-	-	-	-	(2,613,126)	(2,613,126)
Balance, July 31, 2016	**219,287,749**	**$17,649,646**	**$ 2,505,306**	**$ 41,793**	**$ -**	**$ (68,475)**	**$(3,990,525)**	**$16,137,745**

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

CANDELARIA MINING CORP.
(Formerly Branco Resources Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended July 31 2016	2015
Operating activities		
Net gain (loss) for the period	**$ (2,613,126)**	$ 49,039
Add non-operating cash flow item:		
Share-based payments	**2,368,091**	-
Foreign exchange (gain) loss	**56,507**	(133,868)
Changes in non-cash working capital items:		
GST receivable	**(660)**	806
Prepaid expenses	**(4,960)**	10,135
Accounts payable and accrued liabilities	**(27,483)**	(5,157)
Cash flows used in operating activities	**(221,631)**	(79,045)
Financing activities		
Proceeds from issuance of shares, net of share issue costs	**12,795,477**	125,000
Proceeds from issuance of convertible note	**1,625,000**	-
Proceed collected from subscription receivable	**170,400**	-
Refund for subscription amended	**-**	(150,000)
Cash flows from financing activities	**14,590,877**	(25,000)
Investing Activity		
Advance to Apolo	**(771,586)**	
Investment in Caballo	**(13,495,027)**	-
Cash flows from investing activity	**(14,266,613)**	-
Effect of foreign exchange on cash	**(47,252)**	134,058
Increase in cash	**55,381**	30,013
Cash, beginning of period	**1,584,136**	2,306,361
Cash and cash equivalents, end of period	**$ 1,639,517**	$ 2,336,374
Supplemental cash flow information:		
Promissory note issued for investment in Caballo	$ 3,250,000	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Candelaria Mining Corp., (formerly Branco Resources Ltd.) (the ñCompanyò) is a British Columbia public company listed on the TSX Venture Exchange (ñTSXVò). The Company was incorporated under the Business Corporations Act of British Columbia on January 23, 2012. The Company registered and records office is located at Suite 1200, 750 West Pender Street, Vancouver, BC, Canada, V6C 2T8. The address of the Companyôs head office is 15444 Royal Ave., White Rock, BC, V4B 1N1.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (ñIFRSò) 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. The Company has no source of operating revenues and its capacity to operate as a going concern in the near term will depend on its ability to continue raising equity financing. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (ñIASBò) applicable to the preparation of interim financial statements including IAS34 ñInterim Financial Reportingò. The financial statements have been prepared on an accruals 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 condensed interim consolidated financial statements were authorized for issue on September 29, 2016 by the directors of the Company.

Use of estimates and judgements

The preparation of the Companyôs 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 managementôs 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 1 relating to going concern.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared following the same basis of preparation and accounting policies and methods of computation as the audited financial statements of the Company for the year ended April 30, 2016. The disclosures provided below are incremental to those included with the annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted.

These condensed interim financial statements should be read in conjunction with the annual financial statements and notes thereto in the Company's annual filings for the year ended April 30, 2016.

Accounting standards, interpretations and amendments to existing standards that are not yet effective are outlined in Note 3 to the annual consolidated financial statements for the year ended April 30, 2016. The Company is in the process of assessing the impact that the new and amended standards will have on its financial statements.

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents consist of the following:

Cash and cash equivalents	July 31, 2016	April 30, 2016
Cash	$ 1,639,517	$ 599,431
Temporary investments – GIC's	-	984,705
	$ 1,639,517	$ 1,584,136

5. CONVERTIBLE NOTE

On June 7, 2016, pursuant to a private placement the Company raised $1,625,000 through the sale of a convertible note. The note will bear interest at 6% annually, paid monthly and will be convertible into common shares of the Company for a period of 18 months at $0.06 per share for the first 12 months, and $0.10 per share for the remainder of the term. The Company may prepay the convertible note at any time during the initial 12-month term by paying the holders all remaining interest to maturity in addition to the principal amount.

6. SHARE CAPITAL

(a) Authorized: Unlimited number of common shares without par value.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(b) Issued and outstanding

On May 4, 2016, the Company closed a private placement of 16,200,000 common shares at a price of $0.05 per share for total proceeds of $810,000.

On June 7, 2016 pursuant to a private placement, a total of 78,099,000 common shares were sold at a price of $0.10 per share for gross proceeds of $7,809,900. In connection with the private placement, the Company paid cash for finder's fees of $269,563 and filing fees of $30,080.

On July 15, 2016 pursuant to a private placement, a total of 30,259,999 units were sold at a price of $0.15 per unit for gross proceeds of $4,539,000. Each unit consists of one common shares and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.25 per share for a period of 18 months from the closing date. The Company issued 551,061 finder's warrants having the same terms as the warrants under the private placement. In connection with the private placement, the Company paid cash for filing fees of $12,405.

During the three months ended July 31, 2015, the Company received $125,000 pursuant to share subscription agreements at $0.05 per share. The Company also return $150,000 to an investor for share subscription amendment.

(c) Finder's warrants

The continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price ($)
Balance, April 30, 2015 and 2016	**-**	**-**
Granted	15,681,060	0.25
Balance, July 31, 2016	**15,681,060**	**0.25**

On July 15, 2016, in connection with the private placement, the Company issued 551,061 finder's warrants. Two warrants entitle the holder to acquire one additional common share at a price of $0.25 per share for a period of 18 months from the closing date. The fair value of these finder's warrants at the date of grant was estimated at $41,793 using the Black-Scholes option pricing model with the following assumptions: 1.5 year expected average life; 140% volatility; risk-free interest rate of 0.48%; and a dividend yield of 0%.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(d) Stock Options

The Company has a stock option plan by which it can grant stock options to officers, directors, consultants and employees. The aggregate number of shares reserved for issuance under the stock option plan cannot exceed 21,928,774 shares.

The continuity of the Company's share options is as follows:

	Number of options	Weighted average exercise price ($)
Balance, April 30, 2015	**444,000**	**0.10**
Granted	3,500,000	0.05
Balance, April 30, 2016	**3,944,000**	**0.06**
Exercised	-200,000	0.05
Granted	13,550,000	0.26
Balance, July 31, 2016	**17,294,000**	**0.22**

During the three months ended July 31 2016, 200,000 stock options were exercised for proceeds of $10,000.

On July 4, 2016, the Company granted to its directors and consultants incentive stock options to acquire a total of 2,500,000 common shares of the Company at a price of $0.15 per share exercisable up until July 4, 2021. The fair value of these options at the date of grant was estimated at $286,077 using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; 105% volatility; risk-free interest rate of 0.55%; and a dividend yield of 0%.

On July 4, 2016, the Company granted to its employees and consultants incentive stock options to acquire a total of 900,000 common shares of the Company at a price of $0.15 per share exercisable up until July 4, 2021. Options vest as to 25% at the date of grant and 25% every three months thereafter until fully vested. The fair value of these options at the date of grant was estimated at $102,987 using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; 105% volatility; risk-free interest rate of 0.55%; and a dividend yield of 0%.

On July 27, 2016, the Company granted to its directors and consultants incentive stock options to acquire a total of 8,400,000 common shares of the Company at a price of $0.30 per share exercisable up until July 27, 2021. The fair value of these options at the date of grant was estimated at $1,923,473 using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; 105% volatility; risk-free interest rate of 0.62%; and a dividend yield of 0%.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(d) Stock Options (continued)

On July 27, 2016, the Company granted to its employees and consultants incentive stock options to acquire a total of 1,750,000 common shares of the Company at a price of $0.15 per share exercisable up until July 27, 2021. Options vest as to 25% at the date of grant and 25% every three months thereafter until fully vested. The fair value of these options at the date of grant was estimated at $400,722 using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; 105% volatility; risk-free interest rate of 0.62%; and a dividend yield of 0%.

The weighted average fair value of the options granted during the three months ended July 31, 2016 was $0.20 per option.

A summary of the Company's options at July 31, 2016 is as follows:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options exercisable
November 8, 2017	0.10	1.27	444,000	444,000
March 22, 2021	0.05	4.64	3,050,000	2,650,000
March 31, 2021	0.05	4.67	250,000	250,000
July 4, 2021	0.15	4.93	3,400,000	2,725,000
July 27, 2021	0.30	4.99	10,150,000	8,837,500
		4.82	**17,294,000**	**14,906,500**

The fair value of share options recognized as share-based compensation during the three months ended July 31, 2016 was $2,368,091 (2015 - $nil).

7. RELATED PARTY TRANSACTIONS

During the three months ended July 31, 2016, the Company incurred accounting fees of $nil (2015 - $3,000), rent and office and administration of $22,958 (2015 - $22,307), and management fees of $15,633 (2015 ï $nil) to companies controlled by the directors of the Company.

During the three months ended July 31, 2016, the Company granted 9,900,000 stock options (2015 ï $nil) to officers and directors of the Company with a fair value of $1,980,565 (2015 ï $nil) and was included in share-based compensation expense.

Amounts due to related parties are unsecured, non-interest bearing and have no specified terms of repayment.

8. FINANCIAL INSTRUMENTS RISK MANAGEMENT

(a) Fair value

The classification of the Company’s financial instruments requires that they are measured at amortized cost. Their carrying value approximates fair value due to the short-term maturity of these financial instruments.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company’s accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal terms of trade.

(d) Foreign currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flow will fluctuate as a result of changes in foreign exchange rates. The Company’s functional currency is the Canadian dollar. The Company does not hedge anticipated foreign currency changes. As at July 31, 2016, the Company held cash in US dollars of $920,087 (CDN$1,199,463) (April 30, 2016 - US$537,477 (CDN$674,512)). A 10% change in foreign exchange rates would impact net loss by approximately $187,000 (April 30, 2015 - $67,000).

9. INVESTMENT IN AND ADVANCES TO APOLO

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

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

9. INVESTMENT IN AND ADVANCES TO APOLO (continued)

- Paying an aggregate of USD$250,000 to the shareholders of Apolo on the closing date and a further USD$250,000 to the shareholders of Apolo on or before 8 months from the closing date (paid);
- Issuing a total of 20,000,000 common shares of the Company in installments over an 18 month period beginning on the closing date;
- Funding exploration expenditures of a minimum of USD$3,500,000 by advancing funds to Apolo on or before 12 months from the closing date (the “Funding Commitment”); and
- Lending or arranging for a third party to loan, to Apolo, a minimum of US$1,000,000 on or before 12 months from the closing date (the “Loan”).
- The Company shall not issue dividends until the financing and the loan are fully paid.

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

- Apolo reaches a production of 250 tons per day on the Property;
- any portion of the Funding Commitment remains outstanding and payable;
- any portion of the Loan remains outstanding and payable;
- the price of gold is over USD$1,100 per ounce; and
- the price of silver is over USD$17 per ounce.

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

The acquisition of Apolo was approved on March 22, 2016. As per the Agreement the Company has made the first payment of US$250,000 to the Apolo shareholders and has issued the first instalment of 6,000,000 common shares of the Company to the Apolo shareholders. In addition, the Company has arranged a US$1,000,000 loan in favour of Apolo through Credipresto, S.A.P.I. de C.V., SOFOM ENR.

As part of the transaction, the Company issued 7,408,000 shares to holders of Apolo convertible notes to settle outstanding debt in the amount of $370,400 and 1,200,000 shares with a fair value of $60,000 (Note 5).

As at July 31, 2016, the Company made advances totalling $1,621,833 to Apolo for working capital. These amounts will form an intercompany advance upon completion of the acquisition.

10. INVESTMENT IN CABALLO

On May 11, 2016, the Company signed an agreement to acquire the Caballo Blanco Gold Project (“Caballo”) in Veracruz from Molimentales Del Noroeste, SA de CV, a subsidiary of Timmins Gold Corp. Pursuant to the terms of the agreement, Candelaria will pay Molimentales a total of US$12,500,000 in cash and assume US$5 million in liabilities in exchange for the project and all related rights and assets.

On July 21, 2016 the Company completed the acquisition of the Caballo Blanco gold project in Veracruz, Mexico, from Molimentales Del Noroeste SA de CV, a subsidiary of Timmins Gold Corp. Pursuant to the terms of the agreement, Candelaria has made payments of US$10,154,738 to Timmins to acquire the Caballo Blanco gold project and deferred a US$2,500,000 payment to be made at the earlier occurrence of the Company receiving permits or June 24, 2017, secured by a promissory note and security interest. The Company has also assumed US$5,000,000 in liabilities in exchange for the project and all related rights and assets.

11. SUBSEQUENT EVENTS

On August 8, 2016 pursuant to a private placement, the Company issued a total of 20,000,000 units at a price of $0.15 per unit for gross proceeds of $3,000,000. Each unit consists of one common share of the Company and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $0.25 per common share for a period of 18 months following closing.

On September 16, 2016 pursuant to a private placement, a total of 4,666,666 units were sold at a price of $0.15 per unit for gross proceeds of $700,000. Each unit consists of one common shares and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.25 per share for a period of 18 months from the closing date.