



## **Candelaria Mining Corp.**

Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

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

**NOTICE**

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS  
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED JULY 31, 2021**

The first quarter financial statements for the three months ended July 31, 2021 and 2020 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	July 31, 2021	April 30, 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 206	\$ 756
Other receivables and prepaid expenses	3,4	88	104
Total current assets		294	860
Other receivables – non-current	3,4	1,948	1,839
Equipment		396	270
Deposit		1,087	1,087
Deferred charges – Debenture		5,261	5,261
Exploration and evaluation assets	5	9,255	8,965
Total assets		\$ 18,241	\$ 18,282
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	\$ 2,019	\$ 1,794
Caballo Blanco Acquisition Payable	4,5(b)	936	921
Total current liabilities		\$ 2,955	\$ 2,715
Debtenture	6	1,050	990
Caballo Blanco Acquisition Payable – non-current	5(b)	419	400
<b>Total liabilities</b>		\$ 4,424	\$ 4,105
<b>Shareholders' equity</b>			
Share capital		52,186	51,807
Reserves		10,526	10,149
Deficit		(48,895)	(47,779)
		13,817	14,177
Total liabilities and shareholders' equity		\$ 18,241	\$ 18,282

*Nature of operations and going concern (note 1)*

*Subsequent events (note 13)*

### Approved by the Board of Directors

\_\_\_\_\_  
"Ramon Perez" Director

\_\_\_\_\_  
"Matthew Roma" Director

The accompanying notes are an integral part of these 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 July 31,	
		2021	2020
<b>General and administration expenses</b>			
Exploration expense	12	(123)	(801)
Consulting and professional fees	9	(262)	(552)
Salary and wages		-	(4)
General and administration		(116)	(156)
Regulatory and filing fees		(44)	(10)
Stock-based compensation	8	(409)	(29)
<b>Net loss before other (expense) income</b>		(954)	(1,552)
<b>Other (expenses) income, net</b>			
Foreign exchange (loss) gain		(35)	105
Finance cost		(127)	(187)
<b>Net loss</b>		(1,116)	(1,634)
<b>Other comprehensive gain (loss) (“OCI”)</b>			
<b>Items that may be reclassified to profit or loss</b>			
Gain translation of foreign operations		309	457
<b>Total comprehensive loss</b>		(807)	(1,177)
<b>Net loss attributable to:</b>			
Owners of the Company		(1,116)	(1,660)
NCI		-	26
<b>Total net loss</b>		(1,116)	(1,634)
<b>OCI attributable to:</b>			
Owners of the Company		309	457
NCI		-	-
<b>Total other comprehensive gain</b>		309	457
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(807)	(1,203)
NCI		-	26
<b>Total comprehensive loss</b>		(807)	(1,177)
<b>Loss per share – basic and diluted</b>		\$ (0.01)	\$ (0.01)
<b>Weighted average shares outstanding (000’s) – basic and diluted</b>		128,893	118,059
<b>Total shares issued and outstanding (000’s)</b>		129,782	125,300

The accompanying notes are an integral part of these 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 for owners	NCI	Total equity
<b>Balance as at April 30, 2021</b>		<b>128,829</b>	<b>\$ 51,807</b>	<b>\$ 11,428</b>	<b>\$ 422</b>	<b>\$ (1,701)</b>	<b>\$ (47,779)</b>	<b>\$ 14,177</b>	<b>\$ -</b>	<b>\$ 14,177</b>
Share issuance, stock options exercised	7	83	66	(28)	-	-	-	38	-	38
RSU issuance	7	870	313	-	(313)	-	-	-	-	-
Stock based compensation	8	-	-	279	130	-	-	409	-	409
Cumulative translation		-	-	-	-	309	-	309	-	309
Net loss for the period		-	-	-	-	-	(1,116)	(1,116)	-	(1,116)
<b>As at July 31, 2021</b>		<b>129,782</b>	<b>\$ 52,186</b>	<b>\$ 11,679</b>	<b>\$ 239</b>	<b>\$ (1,392)</b>	<b>\$ (48,895)</b>	<b>\$ 13,817</b>	<b>\$ -</b>	<b>\$ 13,817</b>

	Notes	Shares (‘000)	Share capital	Reserves	RSU Reserves	Translation Reserves	Deficit	Total equity for owners	NCI	Total equity
<b>Balance as at April 30, 2020</b>		<b>118,059</b>	<b>\$ 45,102</b>	<b>\$ 4,200</b>	<b>\$ 1,309</b>	<b>\$ (2,572)</b>	<b>\$ (40,567)</b>	<b>\$ 7,472</b>	<b>\$ 1,737</b>	<b>\$ 9,209</b>
Share issuance, acquisition of Apolo	5(a)	7,075	3,750	-	-	-	(2,003)	1,747	(1,763)	(16)
Share issuance, stock options exercised	8	166	44	(19)	-	-	-	25	-	25
Warrants issuance, Debenture	6,7	-	-	6,253	-	-	-	6,253	-	6,253
Stock based compensation		-	-	14	15	-	-	29	-	29
Cumulative translation		-	-	-	-	457	-	457	-	457
Net loss for the period		-	-	-	-	-	(1,660)	(1,660)	26	(1,634)
<b>As at July 31, 2020</b>		<b>125,300</b>	<b>\$ 48,896</b>	<b>\$ 10,448</b>	<b>\$ 1,324</b>	<b>\$ (2,115)</b>	<b>\$ (44,230)</b>	<b>\$ 14,323</b>	<b>\$ -</b>	<b>\$ 14,323</b>

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

# Candelaria Mining Corp.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS of CASH FLOWS

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

	Note	Three months ended July 31,	
		2021	2020
<b>Cash used from operating activities</b>			
Net loss for the period		\$ (1,116)	\$ (1,634)
Items not affecting cash			
Unrealized foreign exchange		53	(118)
Stock based compensation	8	409	29
Finance cost – debenture		124	122
Change in non-cash operating working capital			
Accounts receivable and prepaid expenses		(88)	2
Accounts payable and accruals		229	370
<b>Total cash used from operating activities</b>		<b>(389)</b>	<b>(1,229)</b>
<b>Cash flow from (used in) investing activities</b>			
Expenditures – equipment		(125)	-
Transaction cost – acquisition of Apolo		-	(16)
<b>Total cash flow from investing activities</b>		<b>(125)</b>	<b>(16)</b>
<b>Cash flow from (used in) financing activities</b>			
Proceeds from drawing of Debenture		-	2,040
Payment of interest of Debenture	6	(59)	(10)
Proceeds from stock options exercised	7	38	25
<b>Total cash flow from financing activities</b>		<b>(21)</b>	<b>2,055</b>
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(535)</b>	<b>810</b>
<b>Foreign exchange impact on cash and cash equivalents</b>		<b>(15)</b>	<b>15</b>
<b>Cash and cash equivalents – beginning of year</b>		<b>756</b>	<b>35</b>
<b>Cash and cash equivalents – end of period</b>		<b>206</b>	<b>860</b>
Cash		\$ 206	\$ 860
Short term investment		-	-
<b>Cash and cash equivalents – end of period</b>		<b>\$ 206</b>	<b>\$ 860</b>

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

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### 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 OTC Pink. The Company was incorporated under the Business Corporations Act of British Columbia on January 23, 2012. The Company’s registered and records office is located at Suite 1200, 750 West Pender Street, Vancouver, BC, Canada, V6C 2T8. The address of the Company’s head office is 1201 - 1166 Alberni Street, Vancouver, BC V6E 3Z3.

On May 11, 2016, the Company signed an agreement to acquire the Caballo Blanco Gold Project (“Caballo Blanco”) in Veracruz from Molimentales Del Noroeste, SA de CV, a subsidiary of Alio Gold Inc. (“Alio”), formerly Timmins Gold Corp. (Note 6(b)).

On December 5, 2018, the Company announced that it has agreed to issue 7,075,472 of the Company’s common shares to the shareholder of Minera Apolo S.A. de C.V. (“Apolo”) to acquire the remaining 40% of the shares of 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. Management is aware in making its assessment of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, as explained in the following paragraph.

The Company has not yet generated income or cashflow from operations. As at July 31, 2021, the Company had cash and cash equivalents of \$206, a working capital deficit of \$2,661 and an accumulated deficit of \$48,895 (April 30, 2021 - \$47,779). For the three months ended July 31, 2021, the Company incurred a net loss of \$1,116 (July 31, 2020 – loss of \$1,634) and negative cashflows from operations of \$389 (2020 - \$1,229). 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, 2021 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.

### 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

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

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Company's audited consolidated financial statements for the year ended April 30, 2021. 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 September 29, 2021.

### **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 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, it was not a business.

#### *Exploration and evaluation expenditures*

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



# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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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 CAD and have determined the functional currency of all its entities to be CAD. For all of the foreign subsidiaries, which are located in Mexico, the functional currency is denominated in Mexican Pesos.

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries. All amounts are expressed in Canadian dollars, unless otherwise stated. Intercompany transactions and balances between the Company and its subsidiaries are eliminated. The principal subsidiaries of the Company and their geographic location as at July 31, 2021 were as follows:

	<b>Jurisdiction</b>	<b>Ownership %</b>
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%

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

### 3 Other Receivables and Prepaid Expenses

	July 31, 2021		April 30, 2021	
Other receivable	\$	54	\$	79
IVA receivables*		1,948		1,839
Prepaid expenses		34		25
	\$	2,036	\$	1,943
Non current portion	\$	1,948	\$	1,839
Current portion	\$	88	\$	104

\*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:

	July 31, 2021		April 30, 2021	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Amortized cost</i>				
Cash and cash equivalents	206	206	756	756
Other receivables	54	54	79	79
<b>Financial liabilities</b>				
<i>Amortized cost</i>				
Accounts payable & accrued liabilities	2,019	2,019	1,794	1,794
Debenture	1,050	1,050	990	990
Caballo Blanco acquisition payable	1,355	1,355	1,321	1,321

#### 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.

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

### 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 July 31, 2021 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
<b>Financial assets</b>				
Cash and cash equivalents	\$ 43	\$ 104	\$ 59	\$ 206
Other receivables	10	-	78	88
	53	104	137	294
<b>Financial liabilities</b>				
Accounts payables and accrued liabilities	(386)	(1,454)	(179)	(2,019)
Debenture	-	(1,050)	-	(1,050)
Caballo Blanco Acquisition Payable	-	(1,355)	-	(1,355)
Net financial (liabilities) assets	\$ (333)	\$ (3,755)	\$ (42)	\$ (4,130)

The Company's financial assets and liabilities as at April 30, 2021 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

## Candelaria Mining Corp.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

	Canadian Dollars	US Dollars	Mexican Pesos	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ 20	\$ 372	\$ 364	\$ 756
Other receivables	10	-	94	104
	30	372	458	860
<b>Financial liabilities</b>				
Accounts payables and accrued liabilities	(234)	(1,421)	(139)	(1,794)
Debenture	-	(990)	-	(990)
Caballo Blanco Acquisition Payable	-	(1,321)	-	(1,321)
Net financial (liabilities) assets	\$ (204)	\$ (3,360)	\$ 319	\$ (3,245)

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 July 31, 2021, a 10% appreciation of the Canadian Dollar relative to the US Dollars would have decreased net financial assets by approximately \$376 (April 30, 2021 - \$373). 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 \$4 (April 30, 2021 - \$32) 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.

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

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

July 31, 2021	Current – within 1 year	Non-current – 1 to 5 years
Accounts payables and accrued liabilities	\$ 2,019	\$ -
Debenture	-	1,050
Caballo Blanco Acquisition Payable	936	419
	\$ 2,955	\$ 1,469

## 5 Exploration and Evaluation Assets

	Pinos Project	Caballo Blanco Project	Total
<b>April 30, 2020</b>	\$ 9,473	\$ -	\$ 9,473
Royalty	(974)	-	(974)
Cumulative translation adjustment – foreign exchange	466	-	466
<b>April 30, 2021</b>	\$ 8,965	\$ -	\$ 8,965
Cumulative translation adjustment – foreign exchange	290	-	290
<b>July 31, 2021</b>	\$ 9,255	\$ -	\$ 9,255

### 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 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 \$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.

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

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 US\$750 (\$921 as at April 30, 2021). This amount would 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 (\$807), 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 3<sup>rd</sup> party (arm’s length) retains an NSR as follows:
  - 1.25% NSR up to 1,000 tons per day
  - 1.00% NSR from 1,001 to 1,500 tons per day
  - 0.75% NSR from 1,501 to 10,000 tons per day
  - 0.5% NSR from 10,001 or more tons per day

As at April 30, 2021, the Company expects the liability to be settled in 5 years. The face value of US\$600 was discounted over 3 years with the discount rate of 13%. The difference in the fair value of the liability as a result of the change in estimate of \$177 was recorded in the profit and loss.

	<b>July 31, 2021</b>
Opening balance at beginning of the fiscal year	\$ 400
Accretion expense	13
Foreign exchange impact	6
Caballo Blanco Acquisition – non current portion	\$ 419
Caballo Blanco Acquisition – current portion	\$ 936
Caballo Blanco Acquisition – total	\$ 1,355

Total Caballo Blanco acquisition payable as at July 31, 2021 was \$1,355 (April 30, 2021 - \$1,321).

## 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

## Candelaria Mining Corp.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

bear interest at 13% per annum, and have a term of 60 months from the initial draw date. Candelaria 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 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.

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

<b>Deferred Charges - Debenture</b>	<b>Carrying value</b>
Warrants issued (see note 6)	\$ 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
Deferred charges – Debenture, July 31, 2021	\$ 5,261

The following table is the carrying value of the Debenture:

<b>Debenture – Carrying Value</b>	
Withdrawal	\$ 2,040
Transaction cost capitalized (allocation from Deferred Charges)	(1,044)
Finance cost – interest accrued	213
Interest paid	(193)
Finance cost – accretion of Debenture	173
Foreign exchange impact	(199)
Debenture – April 30, 2021	\$ 990
Finance cost – interest accrued	59
Interest paid	(59)
Finance cost – accretion of Debenture	53
Foreign exchange impact	7
Debenture – July 31, 2021	\$ 1,050

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

### 7 Share Capital

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

#### Share issuance – period ended July 31, 2021

- On July 2, 2021, 83,333 common shares were issued in connection stock options exercised at \$0.45 per share. Total proceeds received was \$38.
- On July 27, 2021, 870,000 common shares were issued from the vesting of RSUs.

#### Share issuance – year ended April 30, 2021

- On July 31, 2020, 7,075,472 common shares were issued in connection to acquisition of the 40% of Apolo (see note 5a).
- During the year ended April 30, 2021, 500,000 common shares were issued in connections to stock options exercised at \$0.15 per share. In addition, 1,020,000 common shares were issued in connections to RSU redemption, \$1,649 was reclassified from RSU reserves to share capital.
- On September 25, 2020, 2,175,030 common shares were issued in settlement of \$1,087 of indebtedness. The fair value of the shares issued was \$1,174, resulting a loss on debt settlement of \$87.

The Company intends to use the proceeds of the Private Placement for general working capital.

#### Warrants

- Share purchase warrants

	Warrants outstanding ('000)	Weighted average exercise price
Ending – April 30, 2021, July 31, 2021	20,118	\$0.16

As at July 31, 2021, 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
<b>20,118</b>	<b>\$ 0.16</b>		

As at April 30, 2021, 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
<b>20,118</b>	<b>\$ 0.16</b>		

### 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



# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

under the option plan is approximately 12.53 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.

Stock options outstanding	July 31, 2021		April 30, 2021	
	Number of shares (000's)	Weighted average exercise price	Number of shares (000's)	Weighted average exercise price
Outstanding – beginning of year	9,531	\$ 0.60	6,591	\$ 0.67
Options exercised	(83)	0.45	(500)	0.15
Options expired	(4,434)	0.79	(600)	0.15
Options granted	-	-	4,040	0.36
Outstanding – end of year	5,014	\$ 0.43	9,531	\$ 0.60

The average trading price for the options exercised was \$0.55 for the three months ended July 31, 2021 (April 30, 2020 – \$0.53).

The following table discloses the number of options and vested options outstanding as at July 31, 2021:

Number of options (‘000s)	Number of options vested (‘000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
100	100	0.25	\$0.90	31-Oct-2021
124	124	0.31	\$0.90	23-Nov-2021
750	750	1.65	\$0.68	27-Mar-2023
2,815	1,876	3.99	\$0.30	27-Jul-2025
200	200	0.99	\$0.30	27-Jul-2022
1,025	342	4.64	\$0.54	21-Mar-2026
<b>5,014</b>	<b>3,392</b>	<b>3.49</b>	<b>\$0.43</b>	

The following table discloses the number of options and vested options outstanding as at April 30, 2021:

Number of options (‘000s)	Number of options vested (‘000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
1,134	1,134	0.19	\$0.45	4-Jul-2021
3,383	3,383	0.25	\$0.90	27-Jul-2021
100	100	0.52	\$0.90	31-Oct-2021
124	124	0.58	\$0.90	23-Nov-2021
750	750	1.91	\$0.68	27-Mar-2023
2,815	-	4.25	\$0.30	27-Jul-2025
200	100	1.25	\$0.30	27-Jul-2022
1,025	342	4.85	\$0.54	21-Mar-2026
<b>9,531</b>	<b>5,933</b>	<b>2.08</b>	<b>\$0.60</b>	

The weighted average exercise price of vested options as at July 31, 2021 was \$0.43 (April 30, 2021 - \$0.60).

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

### 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 July 31, 2021, as follows:

	Three months ended July 31,	
	2021	2020
Professional fees	\$ 190	\$ 435
Stock based compensation	298	21

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 2021 and 2020. 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 July 31, 2021, the Company had amounts payable of \$1,118 (April 30, 2021 - \$1,172) 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:

	July 31, 2021	April 30, 2021
Total equity for owners	\$ 13,817	\$ 14,177
Less: cash and cash equivalents	(206)	(756)
	\$ 13,611	\$ 13,421

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 July 31, 2021, 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.

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

### 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:

July 31, 2021	Canada	Mexico	Total
Cash and cash equivalents	\$ 146	\$ 60	\$ 206
Accounts receivable and prepaid expenses	25	63	88
	171	123	294
Other receivables – non current	-	1,948	1,948
Deposit – non current	-	1,087	1,087
Deferred charges - Debenture	5,261	-	5,261
Equipment	-	396	396
Exploration and evaluation assets	-	9,255	9,255
Total assets	\$ 5,432	\$ 12,809	\$ 18,241
Segment loss for the three months ended	\$ (815)	\$ (301)	\$ (1,116)

July 31, 2020	Canada	Mexico	Total
Cash and cash equivalents	\$ 43	\$ 817	\$ 860
Accounts receivable and prepaid expenses	10	14	24
	53	831	884
Other receivables – non current	-	2,690	2,690
Deferred charges - Debenture	5,132	-	5,132
Exploration and evaluation assets	-	9,864	9,864
Total assets	\$ 5,185	\$ 13,385	\$ 18,570
Segment loss for the three months ended	\$ (697)	\$ (937)	\$ (1,634)

### 12 Exploration Expenses

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

	Caballo Blanco	Pinos	Total
Salary, consulting and administration	\$ -	\$ 88	\$ 88
Equipment maintenance and rental	-	35	35
Concessions and permitting	-	-	-
<b>Period ended July 31, 2021</b>	<b>\$ -</b>	<b>\$ 123</b>	<b>\$ 123</b>
<b>Project to date – July 31, 2021</b>	<b>\$ 3,171</b>	<b>\$ 2,661</b>	<b>\$ 5,832</b>

# Candelaria Mining Corp.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 31, 2021 and 2020

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

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During the period ended July 31, 2020, the Company incurred an exploration expense on general project investigation and evaluation expense on various projects:

	<b>Caballo Blanco</b>	<b>Pinos</b>	<b>Total</b>
Salary, consulting and	\$ 13	\$ 35	\$ 48
Equipment maintenance and rental	-	82	82
Concession payments	632	39	671
<b>Period ended July 31, 2020</b>	<b>\$ 645</b>	<b>\$ 156</b>	<b>\$ 801</b>
<b>Project to date – July 31, 2020</b>	<b>\$ 2,948</b>	<b>\$ 2,161</b>	<b>\$ 5,109</b>

### 13 Subsequent events

September 1, 2021, the Company announced a non-brokered private placement of up to \$7,800 of units (the “Units”) of the Company (the “Offering”) at a price of \$0.45 per Unit (the “Issue Price”).

Each Unit consist of one common share of the Company and one-half of a common share purchase warrant (the “Warrants”), with each full Warrant entitling the holder thereof to acquire one common share of the Company at a price \$0.65 for a period of 36 months following the closing of the Offering. The Offering was later upsized to \$9,300 on September 21, 2021. The Offering was expected to close on or before October 31, 2021.

On September 21, 2021, the Company closed the first tranche for a gross proceed of \$7,930. The Company paid a total cash commission of \$1.