



## Management's Discussion and Analysis

### For the nine months ended January 31, 2022

(Expressed in Canadian dollars, unless otherwise noted)

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April 1, 2022

*For further information on the Company, reference should be made to its public filings on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company's website at [www.candelariamining.com](http://www.candelariamining.com). This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for nine months ended January 31, 2022 and audited consolidated financial statements for the year ended April 30, 2021, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. The MD&A contains certain forward-looking statements, so please review the disclaimers that are provided on the last page of the report.*

## OVERVIEW

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

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

## HIGHLIGHTS – NINE MONTHS ENDED JANUARY 31, 2022

On September 22, 2021, the Company closed the first tranche of a non-brokered private placement of 17,622,494 units at a price of \$0.45 per unit for gross proceeds of \$7,930,122.

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 for a period of 36 months following the closing of the offering.

The first tranche includes the subscription of 13,333,333 Units by Agnico Eagle Mines Limited ("Agnico Eagle") for gross proceeds of \$6,000,000. This increased Agnico Eagle's holding to approximately 19.41% of the basic shares outstanding, on a partially diluted basis. Prior to the Offering Agnico Eagle held 10,120,000 (7.9%) of the Company's common shares.

All securities issued in connection with the Offering will be subject to a hold period of four months plus a day from the date of issuance and the resale rules of applicable securities legislation.

Ramon Perez and Neil O'Brien, each a director of the Company, subscribed for 888,888 Units (\$400,000) and 50,000 Units (\$22,500), respectively, under the first tranche of the offering. The insider subscriptions

constitute “related party transactions” within the meaning of Multilateral Instrument 61-101 – Protection of Minority Securityholders in Special Transactions (“MI 61-101”). The Company has relied on the exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 contained in Sections 5.5(a) and 5.7(1)(a), respectively, of MI 61-101 in respect of the Insider Subscriptions.

On October 29, 2021, the Company closed the second and final tranche of a non-brokered private placement with the issuance of 1,136,997 units at a price of \$0.45 per unit for gross proceeds of \$511,648. 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 for a period of 36 months following the closing of the offering.

Armando Alexandri (COO) and Mike Struthers (CEO), subscribed for 622,222 Units (\$280,000) and 91,111 Units (\$41,000), respectively, in the final tranche.

Gross proceeds raised from the final offering will be used for general corporate purposes. Combining with first tranche, which closed on September 22, 2021, the total proceeds raised was \$8,441,770, with a total issuance of 18,759,491 Units.

On November 5, 2021, the Company commenced trading on the OTCQX under the symbol “CDELFF”. The listing on the OTCQX helps to provide our U.S. investors with increased liquidity and trading access.

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

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

### **Background:**

The Caballo Blanco licence area is located on the eastern coast of Mexico in the state of Veracruz, 65 kilometers northwest of the city of Veracruz. The most advanced project in the licence area, La Paila, was subject to a PEA in 2012 (refer NI43-101 Technical Report, May 2012, Goldgroup Mining Inc.) which envisaged a low CAPEX, conventional open pit / heap leach mining operation targeting approximately 100,000 ounces of gold production annually. Further geological and exploration works by the Company since acquiring Caballo Blanco have included an updated pit-constrained resource estimate for La Paila (refer Candelaria Mining Corp. NI43-101 Technical Report, April 2017), and additional exploration activities in the wider licence area, including at the seven additional high-priority targets in the Northern and Highway Zones.

In accordance with the Company’s accounting policy, non-current assets, including Caballo Blanco, are reviewed at each reporting date to determine whether there are any indicators of impairment. An impairment is recognized (during year ended April 30, 2019) when the carrying amount exceeds the recoverable amount.

Since acquiring the asset in July 2016, the Company has engaged with government authorities, community members and stakeholders, and undertaken additional exploration work including drilling and sampling programs. Candelaria also closed a strategic investment with Agnico Eagle Mines Limited in 2017 for \$9.7 million for 9.9% ownership in the Company (as at the date of the report, the ownership percentage is 7.8%).

Activities during the reporting period have included continued exploration activities in and around the priority targets within the licence area (refer below), and ongoing engagement with local community groups.

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

- 1) Almaden Minerals Limited retains a 1.5% NSR
- 2) An (arm’s length) 3rd party 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

**Outlook:**

The Company has recently defined an exploration program aimed at testing all of the high-priority targets within the district, as well as expanding the current resource at La Paila. The program comprises two phases:

- Phase 1: Approximately 9,000m and 9 months duration (including permitting), for a cost of \$4.4 million. This will include drill testing of all of the Northern Zone priority targets (La Paila north-east; La Paila south-west; Bandera Norte; Bandera Sur; Las Cuevas); target definition and testing at the large epithermal anomaly at Highway North; and targeting works for porphyry type mineralization at La Luz South.
- Phase 2: Approximately 19,000m and 18 months duration, for a cost of \$6.0 million. This will include resource infill drilling at La Paila; target testing at La Luz South; target definition and testing at Highway Central; and additional regional reconnaissance and target definition works.

The first phase of this program is fully funded.

The actual program may of course vary depending on discoveries made during Phase 1.

This field work is expected to commence in Q1 2022. An expanded geological team is being created in Veracruz and preparations for the field program are advancing.

## **PINOS GOLD PROJECT, STATE OF ZACATECAS, MEXICO**

**Ownership:** 100%

**Background:**

The Pinos property and historical mining district is located in the municipality of Pinos, Zacatecas state in north-central Mexico near the town of Pinos, Zacatecas. The property lies 405 air-kilometres northwest of Mexico City and is 67 km west-northwest of the city of San Luis Potosí, 113 km east-southeast of the city of Zacatecas, and 85 km northeast of the city of Aguascalientes.

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

**Royalties:**

On November 25, 2020, the Company sold a 0.5% net smelter return (“NSR”) royalty on production from the Pinos Project to Empress Royalty Corp. (“Empress”) for US\$750,000. Empress also purchased an additional 0.5% NSR royalty from a previous royalty holder on the Pinos Project, for a total of a 1.0% NSR royalty. The Company can buyback 0.25% from Empress for US\$937,500.

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

**Project Progress:**

During the reporting period the Company has continued to advance the Pinos project through the following

activities:

1. Granted HSEC permits by the Mexican Labor and Health Departments after completing all necessary requirements (including the COVID-19 protocols). There were no accidents or COVID-19 infections during last calendar quarter of 2021.
2. Updated geological interpretations of high-grade mineralization in the Peñitas and Natividad/San Francisco areas to define an infill drill program to support the updated structural interpretations, and to test higher grade mineralised ore shoots. This included the findings from a review of the major structural controls on mineralisation by an independent consultant with the aim of increasing knowledge of the district and to predict new high-grade zones.
3. Drilling permit application granted for Peñitas, Natividad and San Francisco zones.
4. Initiated geological mapping of the El Africano zone. The Company expects this to be completed in the first calendar quarter of 2022, and will then proceed with initial drilling.
5. Continued the maintenance of protected species at the Pinos nursery as required by Mexican environmental authorities and the CITES Convention.

### **Outlook:**

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

In parallel the Company is undertaking the following initiatives to further enhance project value:

- Further enhancements to structural interpretations of the Pinos vein systems with input from an internationally recognised expert in structural controls on epithermal gold mineralised systems. The purpose of this study work is to better understand the controls on higher grade gold mineralization prior to final design of an in-fill drilling program.
- An additional infill drilling program for portions of the veins in the mine re-start area, to further build resource confidence (migrating more resources to Measured and Indicated categories), and further improve definition of higher-grade production targets in other lodes such as Natividad and San Miguel.
- Updates to mine designs and production plans as a result of the above, to maximise early-stage throughput grades and production rates from the re-start mine.
- A preliminary assessment of the resource potential within and around old workings in the old Pinos district as extensions along strike and at depth from old workings (most old workings ceased at the water table elevation). This provides a prioritised resource expansion program to continue to build on district-scale resources.

Concluding these work strands, coupled with resolving funding options, will enable the board to make a decision on construction at Pinos in Q1 / Q2 2022. The construction schedule for the Pinos Mine is between 12-14 months duration, and the project is fully permitted for construction and production, and major contracts are prepared.

Furthermore, it remains an intention for the Company to update the 2018 Pinos Preliminary Economic Assessment (PEA), and this is likely to be published during late 2022.

## LIQUIDITY AND CAPITAL RESOURCES

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

<i>(Tabled amounts are expressed in thousands of Canadian dollars)</i>	Three months ended January 31		Nine months ended January 31	
	2022	2021	2022	2021
Cash used in operating activities	\$ (1,406)	\$ (870)	\$ (4,393)	\$ (2,547)
Cash flow from investing activities	(61)	974	(186)	958
Cash flow from financing activities	-	-	8,310	2,055
Increase (decrease) in cash	(1,467)	104	3,731	466
Cash and cash equivalents, end of period	\$ 4,488	\$ 492	\$ 4,488	\$ 492

As at January 31, 2022, the Company's net working capital was \$3.8 million compared to net working capital deficit of \$1.9 million as at April 30, 2021. The net working capital improved due to the closing of \$8.4 million of private placement in the current period.

Cash outflow from operating activities for the current period ended January 31, 2022 was higher than 2021 as the Company increased its corporate activities due to the closing of \$8.4 million of private placement in the current period.

Cashflow from investing activities in the current period ended January 31, 2022 was solely related to mill equipment expenditure in preparation to develop the Pinos project.

Cash inflow from financing activities was higher in the current period ended January 31, 2022 when compared with 2021. This was mainly due to the closing of \$8.4 million of private placement in the current period, which did not occur in the prior year.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds.

## SUMMARY OF CONSOLIDATED PROFIT AND LOSS

(Tabled amounts are expressed in thousands of Canadian dollars)	Three months ended January 31,		Nine months ended January 31,	
	2022	2021	2022	2021
<b>Operating expenses</b>				
Exploration expense	\$ (624)	\$ (158)	\$ (1,238)	\$ (1,069)
Consulting and professional fees	(287)	(199)	(830)	(703)
General and administration <sup>(1)</sup>	(390)	(184)	(1,049)	(695)
Stock-based compensation	(164)	(590)	(726)	(1,271)
	(1,465)	(1,131)	(3,843)	(3,738)
<b>Other (expenses) income, net</b>				
Foreign exchange gain (loss)	(53)	72	(52)	185
Gain of settlement of payables	208	-	422	-
Finance cost	(131)	(396)	(451)	(982)
<b>Net loss</b>	(1,441)	(1,455)	(3,924)	(4,535)

(Tabled amounts are expressed in thousands of Canadian dollars)	January 31, 2022		January 31, 2021	
Cash	\$	4,488	\$	492
Total assets		22,966		18,328
Cash dividends declared	\$	0.00	\$	0.00

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

There was a net loss of \$3.9 million in the current period ended January 31, 2022. For the three and nine months ended January 31, 2022, the net loss was lower due to lower stock-based compensation expense and a non-cash gain on the settlement of payables.

Exploration, consulting and general and administration expenses were higher than the comparative period in 2021 was mainly due to the recapitalization from the \$8.4 million private placement in the current period.

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

As at January 31, 2022, the Company's cash increased when compared to the period ended January 31, 2021 due to the recapitalization from the \$8.4 million private placement in the current period.

## QUARTERLY RESULTS

<i>(Tabled amounts are expressed in thousands of Canadian dollars)</i>	Jan 31, 2022	Oct 31, 2021	July 31, 2021	April 30, 2021	Jan 31, 2021	Oct 31, 2020	July 31, 2020	April 30, 2020
Exploration expense	\$ (624)	\$ (491)	\$ (123)	\$ (332)	\$ (158)	\$ (110)	\$ (801)	\$ (90)
Stock-based compensation	(164)	(153)	(409)	(523)	(590)	(652)	(29)	-
General and administration <sup>(1)</sup>	(469)	(566)	(422)	(404)	(383)	(293)	(722)	(190)
Finance cost, and other <sup>(2)</sup> (expense) income	(131)	(193)	(127)	609	(396)	(399)	(187)	-
Foreign exchange	(53)	36	(35)	(14)	72	8	105	106
Impairment	-	-	-	-	-	-	-	-
Net loss	(1,441)	(1,367)	(1,116)	(664)	(1,455)	(1,446)	(1,634)	(174)
Other comprehensive loss	104	(450)	309	250	(446)	610	457	(2,305)
Net (loss) income and comprehensive loss	(1,337)	(1,817)	(807)	(414)	(1,901)	(836)	(1,177)	(2,479)
Basic & diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)
Total assets	22,966	23,971	18,241	18,282	18,328	19,701	18,570	12,077

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

(2) Finance costs and other includes foreign exchange and other expenses that are not categorized

### Three months ended January 31, 2022 compared to all historical quarters

Net loss of \$1.4 million in the current quarter ended January 31, 2022. Since October 31, 2020, the Company's net loss are higher than the quarters before July 31, 2020 as the Company was capitalized by Accendo's debenture and royalty proceeds.

Exploration, consulting and general and administration expenses were higher than the comparative period in 2021 and 2020 was mainly due to the recapitalization from the \$8.4 million private placement in the current period.

Stock based compensation expense fluctuates due to timing of the vesting period of stock options and restricted share units. The current period's stock-based compensation expense was driven by a grant of stock options and RSU on July 27, 2020, February 24, 2021, and November 1, 2021.

Foreign exchange fluctuates dependent on the strength of the US dollar against the Canadian dollar.

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

### Change in total assets

As at January 31, 2022, total assets amounted to \$23.0 million.

The Company's assets were higher when compared with July 31, 2020 and onwards. This was primarily due to the capitalization of deferred charges as long-term assets related to the Accendo debenture. The assets further increased from the closing of private placement of \$8.4 million in the current quarter.

## SHAREHOLDER'S EQUITY

*As at January 31, 2022 and as at the date of this report*

Candelaria's authorized capital stock consists of an unlimited number of common shares without par value. As at January 31, 2022 and the date of this report, the Company has the following shareholder equity item outstanding:

	Stock options ('000)	RSU ('000)	Share purchase warrants ('000)	Common shares ('000)
As at January 31, 2022	4,865	-	29,497	149,411
As at date of report	4,865	-	29,497	149,411

### Stock options

Table below provides a summary of the stock options outstanding as at date of the report:

Number of options ('000s)	Number of options vested ('000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
750	750	1.15	\$0.68	27-Mar-2023
2,815	2,815	3.49	\$0.30	27-Jul-2025
200	200	0.48	\$0.30	27-Jul-2022
1,025	1,025	4.14	\$0.54	21-Mar-2026
75	-	4.75	\$0.65	01-Nov-2026
<b>4,865</b>	<b>4,790</b>	<b>3.30</b>	<b>\$0.41</b>	

### Warrants

As at date of the report, the Company has the following share purchase warrants outstanding:

Warrants outstanding ('000)	Exercise price (CAD\$)	Date of Grant	Date of Expiry
2,118	\$ 0.60	3-Apr-2020	3-Apr-2023
18,000	0.11	29-Jun-2020	28-Jun-2025
8,811	0.65	21-Sep-2021	21-Sept-2024
568	0.65	29-Oct-2021	29-Oct-2024
<b>29,497</b>	<b>\$ 0.32</b>		

## REGULATORY DISCLOSURES

### Off balance sheet arrangements

The Company does not have any off-balance sheet arrangements as at January 31, 2022 and date of this report.

### Proposed Transactions



The Company does not have any proposed transactions as at January 31, 2022 and date of this report other than as disclosed elsewhere in this document.

### ***Financial instruments***

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

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

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

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

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

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

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

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

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

- cash and cash equivalents;
- other receivables;

#### *Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at FVTPL in its entirety. There are no assets carried at FVTPL.

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

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments. Gains or losses on financial liabilities at FVTPL are recognized in profit or loss. There are no liabilities carried at FVTPL.

#### *Financial liabilities at amortized cost*

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

The Company's financial liabilities at amortized cost include:

- accounts payable and accrued liabilities;
- Caballo Blanco Acquisition Payable;

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

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

#### *Offsetting*

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

#### *Impairment of financial assets*

The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both

quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

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

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

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

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

#### *Fair values of financial instruments*

The fair values of financial instruments are summarized as follows:

In thousands ('000)	January 31, 2022		April 30, 2021	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Amortized cost</i>				
Cash and cash equivalents	4,488	4,488	756	756
Other receivables	371	371	79	79
<b>Financial liabilities</b>				
<i>Amortized cost</i>				
Accounts payable & accrued liabilities	836	836	1,794	1,794
Debenture	1,350	1,350	990	990
Caballo Blanco acquisition payable	1,407	1,407	1,321	1,321

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

*Credit Risk*

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

*Liquidity Risk*

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

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities. A 1% change in market interest rates would result in no significant change in value of cash and cash equivalents or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

*Foreign Exchange Risk*

The Company operates in Canada and Mexico. As a result, the Company is exposed to foreign exchange risk arising from transactions denominated in foreign currencies.

The operating results and the financial position of the Company are reported in Canadian dollars. Fluctuations of the operating currencies in relation to the Canadian dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's financial assets and liabilities as at January 31, 2022 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

In thousands '000	Canadian Dollars	US Dollars	Mexican Pesos	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ 4,377	\$ 4	\$ 107	\$ 4,488
Other receivables	30	-	1,040	1,070
	4,407	4	1,147	5,558
<b>Financial liabilities</b>				
Accounts payables and accrued liabilities	(114)	(425)	(297)	(836)
Debenture	-	(1,350)	-	(1,350)
Caballo Blanco Acquisition Payable	-	(1,407)	-	(1,407)
Net financial (liabilities) assets	\$ 4,293	\$ (3,178)	\$ 850	\$ 1,965

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:

In thousands '000	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 January 31, 2022, a 10% appreciation of the Canadian Dollar relative to the US Dollars would have decreased net financial assets by approximately \$317,800 (April 30, 2021 - \$336,000). 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 85,000 (April 30, 2021 - \$31,900) 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.

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

January 31, 2022 – in thousands ('000)	Current – within 1 year	Non-current – 1 to 5 years
Accounts payables and accrued liabilities	\$ 836	\$ -
Debenture	-	1,350
Caballo Blanco Acquisition Payable	953	454
	\$ 1,789	\$ 1,804
April 30, 2021 – in thousands ('000)	Current – within 1 year	Non-current – 1 to 5 years
Accounts payables and accrued liabilities	\$ 1,794	\$ -
Debenture	-	990
Caballo Blanco Acquisition Payable	921	400
	\$ 2,715	\$ 1,390

### Exploration expenses

The Company has not had significant revenue from operations in either of its last financial years. The Company is primarily involved in geological exploration and resources and project development. The table below shows the significant expenditures for the current period ended January 31, 2022:

In thousands ('000)	Caballo Blanco	Pinos	Total
Salary, consulting and administration	\$ -	\$ 527	\$ 527
Equipment maintenance and rental	-	127	127
Concessions and permitting	501	83	584
<b>Period ended January 31, 2022</b>	<b>\$ 501</b>	<b>\$ 737</b>	<b>\$ 1,238</b>
<b>Project to date – January 31, 2022</b>	<b>\$ 3,672</b>	<b>\$ 3,275</b>	<b>\$ 6,323</b>

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

In thousands ('000)	Caballo Blanco	Pinos	Total
Salary, consulting and administration	\$ -	\$ 179	\$ 179
Equipment maintenance and rental	-	154	154
Concession payments	654	82	736
<b>Period ended January 31, 2021</b>	<b>\$ 654</b>	<b>\$ 415</b>	<b>\$ 1,069</b>
<b>Project to date – January 31, 2021</b>	<b>\$ 2,957</b>	<b>\$ 2,420</b>	<b>\$ 5,377</b>

### **Related Party Transactions**

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

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

In thousands ('000)	Three months ended January 31,		Nine months ended January 31,	
	2022	2021	2022	2021
Professional fees	\$ 257	\$ 111	\$ 595	\$ 671
Director's fees	30	-	61	-
Stock based compensation	62	424	469	914

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 January 31, 2022, the Company had amounts payable of \$254,000 (April 30, 2021 - \$1,172,000) to these parties. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

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

The Company 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 January 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.

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

During the period ended January 31, 2022, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer, President and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's annual financial statements for the year ended April 30, 2021 (together the "Annual Filings"). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at <http://www.sedar.com>.

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

### ***Accounting estimates***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates primarily relate to share-based transaction valuations, fair values of financial instruments and the recoverability of deferred income tax assets 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 2 relating to going concern.

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

Please refer to the audited annual financial statements for the year ended April 30, 2021 which was filed on SEDAR.

### ***New Accounting Standards Not Yet Effective***

#### *IFRS 3, Business Combination (“IFRS 3”)*

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

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

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

### ***Risk and Uncertainties***

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

#### *Operating Hazards and Risks*

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



### *Title to Assets*

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

The successful exploration and development of the Company's properties is dependent on support from local communities. A community agreement may be required to permit the Company to conduct exploration activities on its projects. There is no assurance that such an agreement can be reached or, if reached, subsequently renewed or extended. The Company is committed to working in partnership with its local communities in a manner which fosters active participation and mutual respect. The Company works towards minimizing negative project impacts, encouraging certain joint consultation processes, addressing certain decision-making processes and towards maintaining meaningful ongoing dialogue. The Company regularly consults with the communities close to its exploration and development activities.

### *Management*

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

### *Requirement of New Capital*

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

### *Metals Pricing Risk*

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

### *Risk of Foreign Operations*

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

### *COVID 19*

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health

developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

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.

*Other Significant Risks*

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

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

## FORWARD-LOOKING STATEMENT

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

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

### Qualified person

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

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

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