



Management's Discussion and Analysis

Period ended October 31, 2016

(Expressed in Canadian dollars, unless otherwise noted)

December 30, 2016

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.montanmining.ca. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with audited consolidated financial statements for the year ended April 30, 2016 and the unaudited condensed consolidated interim financial statements period ended October 31, 2016, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. This MD&A contains certain Forward Looking Statements which are provided on Page 17.

OVERVIEW

The Company was incorporated under the Business Corporations Act of British Columbia on January 23, 2012. The Company is a Canadian based exploration company with a focus in Mexico. On March 22, 2016 the Company completed its Qualifying transaction ("QT") by acquiring an option to purchase 60% of the shares of Minera Apolo, S.A. de C.V. ("Apolo"). Apolo is a Mexican based exploration and development company with assets in Durango, Zacatecas and San Luis Potosi. The Company is listed on the TSX Venture Exchange ("TSXV") under the Symbol "CAND".

HIGHLIGHTS – period ended October 31, 2016

- Cash and cash equivalents of \$3.1 million as at October 31, 2016
- Settled US\$5.0 million contingent payment to Goldgroup Mining Inc. in exchange for up to US\$3.1 million in payments
- Completed diamond drilling program at its Pinos gold project in southeastern Zacatecas state, Mexico

CABALLO BLANCO, STATE OF VERACRUZ, MEXICO

Ownership: 100% Candelaria Mining Corp.

Acquisition terms

On May 11, 2016, the Company signed an agreement to acquire the Caballo Blanco Gold Project ("Caballo Blanco") in Veracruz from Molimentales Del Noroeste, SA de CV, a subsidiary of Timmins Gold Corp. Pursuant to the terms of the agreement, Candelaria will pay Molimentales a total of US\$12.5 million in cash and assume US\$5 million in liabilities in exchange for the project and all related rights and assets.

Pursuant to the terms of the agreement, the Company will acquire the Caballo Blanco project in exchange for cash payments to be paid over a period of twelve months as follows:

- i) US\$1,250,000 payable on signing of the agreement as a non-refundable deposit (paid as at October 31, 2016).
- ii) US\$2,250,000 payable no later than 15 business days from the date of the agreement as an additional non-refundable deposit (paid as at October 31, 2016).
- iii) US\$6,500,000 payment upon closing, which is to occur on or before June 24, 2016 (paid as at October 31, 2016)

- iv) Issuance of a US\$2,500,000 non-interest bearing secured promissory note due on the earlier occurrence of the Company receiving permits or June 24, 2017; and
- v) The Company agreed to assume a US\$5.0 million contingent payment obligation owing to Goldgroup Mining Inc. On August 18, 2016, the Company has settled a US\$5 million contingent payment to Goldgroup Mining Inc. in exchange for up to US\$3.1 million in payments. Pursuant to the settlement the Company has paid US\$2.5 million (through the issuance of convertible debenture, see note 7(b)) with additional US\$600,000 to be paid upon SEMARNAT approval. As a result of the settlement, a gain of \$2,426,000 was recorded.

Description: The Caballo Blanco property is comprised of fourteen contiguous mining claims covering an area of 19,815 hectares.

Location: The Caballo Blanco Project is located on the eastern coast of Mexico (at 19°8'N, 96°8'W, 19 m (62 ft) in the state of Veracruz 65 km northwest of the city. Veracruz is a major port city and municipality on the Gulf of Mexico and is well connected with an international airport. The city is located along the coast 90 km north of the state capital of Xalapa along Highway 140 and has a population of 554,830.

Access: The Project is easily accessible and close to infrastructure. All materials and supplies needed for ongoing exploration, development and mining can be transported by truck via the Pan American Highway and new paved roads. The topography is semi rugged reaching elevations up to 700 meters from sea level. Communications are well established with phone lines and high speed internet. Water supply is derived from local wells.

Geology & Mineralization: Two large areas of epithermal gold mineralization have been discovered within the current CB property, referred to as the Northern Zone (includes La Paila) and the Highway Zone. Both are prominent high-sulphidation epithermal gold prospects that occur within extensive areas of clay and silica alteration.

The gold is very fine and occurs within a vuggy and brecciated silica alteration of an original andesite host rock in the upper levels of the surrounding epithermal system. The elongate and silicified gold rich mineralization at La Paila likely formed from fluid rising along a north trending fault structure well above a deeper intrusive 'heat source'.

Similar silica and clay alteration zones have been recognized at La Cruz and the Highway Zone that lie along a north-south linear trend over a distance greater than 9km.

La Paila, located on the north end of this trend, contains significant gold mineralization with drill intercepts of 2.2 gpt Au over 90 m (08CDN-04) and 0.58 gpt Au over 216 m. Current exploration has shown that the main zone is oxidized at surface and extends several hundred metres in vertical depth.

Outlook

- Optimize existing PEA through trade off studies
- In-fill and definition drilling within the current resources and exploration drilling
- Finalize a minimum investment of \$10 million
- Secure permitting in 2017
- Concluding remaining surface rights by end of 2017

PINOS DISTRICT, STATE OF ZACATECAS, MEXICO

Ownership: Option to earn in 60%.

Option agreement

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

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

- i) Paying an aggregate of US\$250,000 to the shareholders of Apolo on the agreement approval date, March 22, 2016 (paid); and

- ii) a further US\$250,000 to the shareholders of Apolo (unpaid as at October 31, 2016);
- iii) Issuing a total of 20.0 million common shares (6.0 million common shares issued as at October 31, 2016) of the Company in installments over an 18 month period beginning on the March 22, 2016; and
- iv) Funding exploration expenditures of a minimum of US\$3,500,000 (as at October 31, 2016, the Company has advanced \$2,749,000) by advancing funds to Apolo on or before March 22, 2017 (the “Funding Commitment”); and
- v) Lending or arranging for a third party to loan, to Apolo, a minimum of US\$1,000,000 on or before March 22, 2017 from the closing date (the “Loan”). The Company shall not issue dividends until the financing and the Loan are fully paid. This criteria is met from the issuance of the convertible debenture.

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

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

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 and on the remaining 40% interest in Apolo held by the Apolo shareholders.

Land Package: 3,516.14 ha

Location: The Pinos Property is located in the municipality of Pinos, Zacatecas state in north-central Mexico near the town of Pinos, Zacatecas. The Property lies 405 air-kilometres northwest of Mexico City and lies 67 km west-northwest of the city of San Luis Potosí, 113 km east-southeast of the city of Zacatecas, and 85 km northeast of the city of Aguascalientes (Figure A).

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

Geology and Mineralization: Gold and silver mineralization occurs in epithermal quartz and quartz-calcite veins concentrated in two principal trends in the western part of the concession block: the roughly north-south Candelaria – San Ramón trend, and the north-northeast – south-southwest Cinco Estrellas – La Paz trend (Figure B). Most of the development in the district has occurred on these trends. Vein trends commonly have accompanying anastomosing stringers and veinlets.

Veins are composite, consisting of silica-cemented breccia, silica, calcite, and inclusions of fault breccia. In detail, veins exhibit features typical of epithermal systems with splits on large and small scales. Irregular bends and vein breccia are common. Vein textures include vugs, colliform banding, chalcedonic silica, cockaded banding, and bladed, boiling textures are frequently observed.

In the northern part of the project area, at the Tanous vein and shaft, veins cut rhyolite and trachyte of the Pinos Volcanic Complex.

Contacts between vein and wallrock are sharp with little or no alteration seen in the wallrock. Zones of brecciation contain a network of smaller veinlets in a silicified groundmass adjacent to silica veins; these breccia zones are variably mineralized. In the northern part of the area, intense hematite alteration is observed in wall rocks. Hematization is likely related to the proximity to the Pinos volcanic complex.

Veins are continuous, range in thickness from 0.5 to 3.2 meters, with an average thickness of 1.2-1.5 m, dip steeply to the west, and occupy normal faults cutting the sedimentary host rocks. Normal fault geometry is evidenced by local drag folding on beds.

Veins are hosted by Cretaceous carbonates and argillites. Mapping by the Mexican Geological Service (Servicio Geológico Mexicano, 1999) identifies the host rocks as lower Cretaceous Taraises Fm. McLeroy and others (1981) consider the host rocks to be the upper Cretaceous Cuesta del Cura Fm. Branco geologists consider that the host rocks

are lower Cretaceous (Albian stage) that are more related to the Guerrero Terrain than to the Valles-San Luis Potosí Platform to the east (H. González, 2014, personal communication).

Mine workings extend in most places to about 120m below the surface, with mineralization maintaining its values to that level.

Recent drill results

Drill intersections include 1.95 metres grading 6.27 grams per tonne gold equivalent, including 0.8 metre grading 14.75 grams per tonne AuEq, 6.4 metres at 1.9 AuEq, including 0.75 metre at 5.25 grams per tonne AuEq, 2.58 metres grading 6.77 grams per tonne AuEq, including 1.5 metres at 9.02 grams per tonne AuEq, 6.9 metres grading 2.64 grams per tonne AuEq, including 0.5 metre at 5.43 grams per tonne AuEq, and 4.25 metres grading 4.42 grams per tonne AuEq, including 2.45 metres at 6.67 grams per tonne AuEq.

The recently completed drilling campaign began in May, 2016, and was carried out on one of the principal vein structures in the district, the Cinco Estrellas vein, over a strike length of 2.2 kilometres. Drilling tested downdip extensions of known vein mineralization, below existing workings, as well as the possibility of previously unknown veins parallel to the principal vein.

Gold-equivalent values are calculated on the basis of prices of \$1,266 (U.S.) per troy ounce gold and \$17.50 (U.S.) per troy ounce silver.

Hole	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)
CA16PI001	37.65	38.6	1.95	5.88	28	6.27
Including	37.03	37.83	0.8	14.2	40	14.75
CA16PI005	47.2	47.85	0.65	1.17	15	1.38
CA16PI008	102.65	104.3	1.65	1	12	1.17
CA16PI011	107.79	108.38	0.59	1.16	22	1.46
CA16PI012	128.2	129.1	0.9	4.84	6	4.92
	172.81	173.16	0.35	2.67	37	3.18
CA16PI013	121.4	122.2	0.8	1.27	3	1.31
CA16PI014	78.54	79.2	0.66	0.94	1	0.95
	96.7	97.9	1.2	0.75	2	0.78
	148.6	150	1.4	0.6	121	2.27
CA16PI015	71.1	72.2	1.1	1.33	20	1.61
CA16PI016	96.55	102.95	6.4	1.65	18	1.9
Including	98.8	100.15	1.35	3.73	24	4.06
And	99.4	100.15	0.75	5.02	17	5.25
CA16PI017	123.32	124.02	0.7	0.71	94	2.01
CA16PI018	92.31	94.11	1.8	2.87	71	3.85
Including	93.18	93.5	0.32	11.05	275	14.85
CA16PI021	121	123.58	2.58	6.31	33	6.77
Including	121	122.5	1.5	8.37	47	9.02
CA16PI022	93.81	96.19	2.38	2.6	12	2.77
Including	95.19	96.19	1	5.14	20	5.42
CA16PI023	88.17	88.45	0.28	0.67	227	3.81
	88.8	89.15	0.35	0.56	168	2.88
	107.85	109.8	1.95	2.1	14	2.29
CA16PI025	106.5	113.4	6.9	2.52	9	2.64
Including	108.2	112.85	4.65	3.1	9	3.22
And	110.4	112.85	2.45	3.32	8	3.43
And	106.5	107	0.5	5.2	17	5.43
And	110.4	110.8	0.4	4.13	10	4.27

CA16PI026	36.68	37.04	0.36	3.13	3	3.17
CA16PI027	42.24	42.6	0.36	1.01	5	1.08
CA16PI029	91.99	93.5	1.51	1.02	9	1.14
	106.56	111.56	5	1.79	16	2.01
Including	108.65	110.47	1.82	2.17	14	2.36
And	108.65	109.1	0.45	3.14	26	3.5
And	110.17	110.47	0.3	3.88	22	4.18
CA16PI031	36.6	40.85	4.25	4.32	7	4.42
Including	38.4	40.85	2.45	6.53	10	6.67
And	40.25	40.85	0.6	8.48	10	8.62

The Pinos property consists of 29 concessions covering 3,516.14 hectares situated in eastern Zacatecas state, Mexico. Numerous veins hosting gold-silver low-sulphidation epithermal mineralization occur within strongly folded and locally overturned Cretaceous sedimentary rocks. Vein thicknesses average between 1.2 metres and 1.5 metres. Veins exceed 10 metres in thickness in some locations.

The Pinos district produced more than five million ounces of gold and 25 million ounces of silver during the period 1860 until the Mexican Revolution (1910 to 1920).

Qualified person

Stephen Maynard, MS, CPG, has acted as the qualified person as defined in National Instrument 43-101 for this disclosure, and has supervised the preparation of the technical information in this release.

OTHER PROJECTS

Project	Description
KM66	The Kilometre 66 property consists of 17 concessions comprising 3,508 hectares situated in eastern Durango state, Mexico. Apolo acquired the property in 1995, and optioned it to Coeur d'Alene Mines in late 1996. Between 1997 and 1998, Coeur d'Alene carried out a comprehensive exploration program including regional as well as detailed geological mapping, 397 metres of trenching, a gravity survey, 81 reverse circulation drill holes (7,515 metres), 22 diamond drill holes (2,983 metres) and 422 surface channel samples.
Guadalcazar	The early-stage Guadalcazar property consists of 10 concessions comprising 2,671.09 hectares situated in central San Luis Potosi state, Mexico. During the period 2003 to 2005, Apolo registered the property with the Mexico Mines Bureau following the discovery of gold, silver and tin mineralization in altered and extensively weathered rhyolite tuffs.
Lucifer	The early-stage Lucifer property consists of four concessions comprising 159.29 hectares situated in the northeast part of Durango state, Mexico. The claims were registered by Apolo with the Mexico Mines Bureau in 1998. Historical exploration has reportedly identified lead, zinc, silver, and lesser amounts of gold and copper mineralization of the carbonate replacement type.
ElGato	The early-stage El Gato property consists of two concessions comprising 696.96 hectares situated in eastern Zacatecas state, Mexico. The claims were registered with the Mexico Mines Bureau in 1997 and 2002. Mineralization is reportedly of the volcanogenic massive sulphide (VMS) type, related to felsic volcanic dome complexes.

LIQUIDITY AND CAPITAL RESOURCES

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

	For the three months ended October 31,		For the six months ended October 31,	
	2016	2015	2016	2015
<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>				
Cash used in operating activities	\$ (389)	\$ 41	\$ (610)	\$ (37)
Cash provided by (used in) investing activities	(1,187)	(51)	(15,453)	(51)
Cash used in from financing activities	3,085	-	17,675	(25)
Increase (decrease) in cash	1,509	(10)	1,612	(113)
Cash and cash equivalents, end of period	\$ 3,075	\$ 2,214	\$ 3,075	\$ 2,214

As at October 31, 2016, the Company's net working capital deficit was \$1.3 million compared to net working capital of \$1.5 million as at April 30, 2016. The decrease in net working capital was the result of acquisition activities which increased the level of current liabilities (e.g. promissory note, contingent liabilities).

Cash outflow from operating activities in the three and six months ended October 31, 2016, was higher than comparative period in 2015 as the Company increased corporate activities due to acquisition of mineral projects in the current fiscal year.

Cash outflow from investing activities was higher for the three and six months ended October 31, 2016 compared to 2015 as the Company continue to fulfil its acquisition obligation for Apollo and also newly acquired the Caballo Blanco project.

Cash inflow from financing activities was higher in the three and six months ended October 31, 2016, when compared with the comparative period in 2015. Capital were raised through the form of equity and debt to fund corporate development initiatives in the current fiscal 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

	Three months ended October 31,		Six months ended October 31,	
	2016	2015	2016	2015
<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>				
Amortization	\$ (1)	\$ -	\$ (1)	\$ -
Generative exploration	(84)	(43)	(168)	(96)
General and administration	(190)	(36)	(235)	(60)
Management fees	(26)	-	(42)	-
Professional fees	(187)	(5)	(220)	(10)
Share-based compensation	(224)	-	(2,592)	-
Finance cost	(141)	-	(149)	-
Finance income	4	-	4	-
Gain on settlement of contingent liability	2,426	-	2,426	-
Foreign exchange (loss) gain	(324)	21	(382)	152
Net loss	1,253	(63)	(1,359)	(14)
Other comprehensive income (loss)	13	-	13	-
Total comprehensive income (loss) for the period	\$ 1,266	\$ (63)	\$ (1,346)	\$ (14)
Basic & diluted loss per share	0.01	(0.01)	(0.01)	(0.00)

	Period Ended October 31,	
	2016	2015
<i>(tabled amounts are expressed in thousands of Canadian dollars)</i>		
Cash	\$ 3,075	\$ 2,214
Total assets	30,133	2,285
Non-current financial liabilities	4,551	-
Cash dividends declared	\$ 0.00	\$ 0.00

Net loss current three and six months ended October 31, 2016 were higher than the comparative period in 2015 as the Company increased in all aspects of corporate activities subsequent to corporate development initiatives. 13 million stock options were granted in the current year, as a result, stock based compensation expense were higher. \$2.4 million of gain on settlement of contingent liability was recognize as the Company settled a contingent liability of US\$5.0 million with an upfront payment up to US\$3.1 million.

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

As at October 31, 2016, the total assets increased from 2015 due acquisition of Apolo and Caballo Blanco.

QUARTERLY RESULTS

<i>(table amounts are expressed in thousands of Canadian dollars)</i>	Oct 31, 2016	Jul 31, 2016	Apr 30, 2016	Jan 31, 2016	Oct 31, 2015	Jul 31, 2015	Apr 30, 2015	Jan 31, 2015
Amortization	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Generative exploration	(84)	(84)	(116)	(50)	(42)	(51)	(112)	(39)
Stock based compensation	(224)	(2,368)	(116)	-	-	-	-	-
General and administration (1)	(403)	(95)	(121)	(47)	(42)	(30)	4	(43)
Foreign exchange	(324)	(58)	(353)	102	21	130	(72)	15
Finance cost, net	(137)	(8)	-	-	-	-	-	-
Gain on settlement of debt	2,426	-	-	-	-	-	-	-
Net income (loss)	1,253	(2,613)	(706)	5	(63)	49	(180)	(67)
Basic & diluted earnings (loss) per share	0.01	(0.02)	0.04	0.00	(0.01)	0.01	(0.03)	(0.01)
Total assets	30,133	21,080	3,502	2,284	2,285	2,349	2,330	389

- (1) General and administration includes all administration expense including professional fees and management fees, etc.

Three months ended October 31, 2016 compared to historical quarters in 2016 & 2015

Net income of \$1.3 million was higher than any historic quarter in 2016 and 2015 due to the \$2.4 million gain on settlement of contingent debt which only incurred on the current quarter.

Generative exploration expenses were reasonably consistent with all historic quarters. Stock based compensation expense were higher than any historic quarter except Q1 2017 (as majority of the grant were vested and expensed in Q1 2017). No stock options were granted in the prior year; consequently, majority of the quarters in 2015 had \$nil stock based compensation expense. General and administration expense were higher than any of the historic quarter as corporate activities have increased due to material mineral projects acquisitions. Foreign exchange gains and losses fluctuated throughout 2016 and 2015 dependent on the strength of the Canadian dollar compared with US dollars and Mexican pesos. Finance cost were higher in the current quarter due to interest accrued for the debt issued in the current year and non-cash accreted interest expense related to the convertible debentures.

Change in total assets

As at October 31, 2016, the total assets increased from prior quarter in 2016 and 2015 due acquisition of Apolo and Caballo Blanco.

SHAREHOLDER'S EQUITY

As at October 31, 2016

Candelaria's authorized capital stock consists of an unlimited number of common shares without par value. As at October 31, 2016, there are 243,954,415 common shares, 17,594,000 stock options and 28,014,393 share purchase warrants outstanding.

Table below provides a summary of the stock options outstanding:

Number of options ('000s)	Number of options vested ('000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
444	444	1.02	\$0.10	8-Nov-2017
3,050	2,650	4.39	\$0.05	22-Mar-2021
250	250	4.42	\$0.05	31-Mar-2021
3,400	2,725	4.67	\$0.15	4-Jul-2021
10,150	8,838	4.74	\$0.30	27-Jul-2021
300	300	5.00	\$0.30	31-Oct-2021
17,594	15,207	4.57	\$0.22	

Table below provides a summary of the share purchase warrants outstanding:

	Warrants outstanding ('000)	Weighted average exercise price (CAD\$)
Balance – April 30, 2015 & April 30, 2016	-	
Grant	28,014	\$0.25
Ending – October 31, 2016	28,014	\$0.25

Warrants outstanding ('000)	Exercise price (CAD\$)	Date of Grant	Date of Expiry
8,667	\$ 0.75	14-Jun-2016	14-Dec-2017
7,014	0.75	6-Jul-2016	2-Jan-2018
10,000	0.75	18-Aug-2016	18-Feb-2018
2,333	0.75	16-Sep-2016	16-March-2018
28,014			

As at date of this report

Goldgroup's authorized capital stock consists of an unlimited number of common shares without par value.

On November 18, 2016, TSX Venture Exchange approved a share consolidation of the outstanding share capital of the Company on the basis of every three (3) pre-consolidation common shares into (1) new post-consolidation common share. All the common shares, share purchase warrants and stock option outstanding below are presented in post-consolidation basis.

On November 16, 2016, the Convertible note holder converted \$1,000,000 (out of \$1,625,000) to 5,555,555 common shares (post-consolidated basis) of the Company at \$0.18r share (post-consolidated basis).

On November 23, 2016, the Company granted 124,000 stock options to various consultants with an exercise price of \$0.90 and an expiry date of November 23, 2021.

As at the date of the report, on a post consolidated basis, there are 86,873,671 common shares, 5,538,813 stock options and 10,338,131 share purchase warrants outstanding.

Table below provides a summary of the stock options outstanding (post consolidated):

Number of options ('000s)	Number of options vested ('000s)	Weighted average remaining contractual life (years)	Exercise price	Expiry Date
148	148	1.02	\$0.30	8-Nov-2017
1,017	942	4.39	\$0.15	22-Mar-2021
83	83	4.42	\$0.15	31-Mar-2021
1,133	906	4.67	\$0.45	4-Jul-2021
2,933	2,551	4.74	\$0.90	27-Jul-2021
100	100	5.00	\$0.90	31-Oct-2021
124	124	5.00	\$0.90	23-Nov-2021
5,538	4,854	4.57	\$0.66	

Table below provides a summary of the share purchase warrants outstanding (post consolidated):

	Warrants outstanding ('000)	Weighted average exercise price (CAD\$)
Balance – April 30, 2015 & April 30, 2016	-	
Grant	10,338	\$0.70
Ending – October 31, 2016	10,338	\$0.70

Warrants outstanding ('000)	Exercise price (CAD\$)	Date of Grant	Date of Expiry
2,889	\$ 0.75	14-Jun-2016	14-Dec-2017
2,338	0.75	6-Jul-2016	2-Jan-2018
3,333	0.75	18-Aug-2016	18-Feb-2018
778	0.75	16-Sep-2016	16-March-2018
1,000	0.165	16-Sep-2016	16-March-2018
10,338			

REGULATORY DISCLOSURES

Off balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Proposed Transactions

The Company does not have any proposed transactions as at October 31, 2016 other than as disclosed elsewhere in this document.

Financial instruments

The Company reports its financial instruments on its balance sheet and measures these at fair value. In limited circumstances when fair value may not be considered most relevant, they may be reported at cost or amortized cost. Gains or losses as a result of changes in fair value are recognized in the consolidated statement of operations and comprehensive loss.

The Company's financial instruments consist of cash, other receivables, accounts payable, accrued liabilities, director loan and loan payable. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

All financial instruments are classified into one of the following five categories: fair value through profit or loss assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 Inputs that are not based on observable market data

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	('000)	October 31, 2016		April 30, 2016	
		Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets					
<i>Loans and receivables</i>					
Cash and cash equivalents ⁽¹⁾		3,075	3,075	1,584	1,584
Other receivables ⁽¹⁾		17	17	6	6
Financial liabilities					
<i>Other financial liabilities</i>					
Accounts payable & accrued liabilities ⁽¹⁾		241	241	83	83
Contingent liability ⁽¹⁾		804	804	-	-
Promissory notes		3,351	3,351	-	-

(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, and marketable securities. The Company's cash 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 are 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

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company’s foreign currency denominated monetary assets and liabilities. The Company currently operates in Mexico. Certain costs and expenses are incurred in US dollars and Mexican pesos. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable.

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 six months ended October 31, are as follows:

(*000)	Three months ended October 31,		Six months ended October 31,	
	2016	2015	2016	2015
Professional fees	\$ 4	\$ 6	\$ 4	\$ 6
Management fees	26	-	42	-
General and administration	36	22	58	45

Management, professional fees and general and administration expense were paid or accrued to a Company owned by officers of the Company. These expenses were measured at the exchange amounts agreed upon by the parties. As at October 31, 2016 the Company had amounts payable of \$11,000 (April 30, 2016 - \$30,000) to these parties. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

Capital Risk Management

The Company’s objective of capital management is to ensure that it will be able to continue as a going concern, continue the exploration of mineral properties, and identify, evaluate, and acquire additional resource properties. The capital of the Company consists of shareholders’ equity. The Company is meeting its capital risk objectives by successfully raising, from time to time, the required funds through debt and equity.

Internal controls and procedures

During the three month ended October 31, 2016, there has been no significant change in the Company’s internal control over financial reporting since last year.

The Chief Executive Officer 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, 2016 (together the “Annual Filings”). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at <http://www.sedar.com>.

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

Accounting estimates

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

Accounting policies

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the audited financial statements for the year ended April 30, 2016.

Principles of consolidation

The interim unaudited consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries, Grupo Minero Candelaria, S.A.P.I. de C.V. and Minera Caballo Balnco SA de CV, companies incorporated in Mexico. The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Foreign currencies

The functional currency of the Company and its subsidiary, as determined by management, is the Canadian Dollar. For the purpose of the financial statements, the results and financial position are expressed in Canadian Dollars. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the Statement of Loss and Comprehensive Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category involves financial instruments held for the purpose of selling them in the short term. All of the financial instruments in this category meet the definition of financial assets held for trading. Derivatives are included in this category, unless they are designated as hedges. The instruments classified in this category are classified in current assets and include cash. The financial instruments included in this category are initially recognized at fair value and the transaction costs are expensed to the Statement of Loss and Comprehensive Loss. Subsequently, financial assets at fair value through profit or loss are measured at fair value and all gains and losses,

realized and unrealized, measured on the basis of market transactions, are recognized directly in the Statement of Loss and Comprehensive Loss. As at April 30, 2016 and 2015, the Company has no financial instruments classified as fair value through profit or loss.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has reported cash in this category.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the Statement of Loss and Comprehensive Loss. The Company has no held to maturity investments as at April 30, 2016 and 2015.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is reclassified from other comprehensive income to profit or loss in the Statement of Loss and Comprehensive Loss. The Company has no available-for-sale assets as at April 30, 2016 and 2015.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the Statement of Loss and Comprehensive Loss. The Company has no derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term as at April 30, 2016 and 2015.

Other financial liabilities – This category includes accounts payable and amounts due to related parties, all of which are measured at amortized cost.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Loss and Comprehensive Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Contingently issuable or returnable shares are excluded from the determination of the weighted average number of shares outstanding.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at

the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Risk and uncertainties

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

Operating Hazards and Risks

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

Title to Assets

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

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

Management

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

Requirement of New Capital

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

Metals Pricing Risk

The feasibility of the Company's mineral exploration and development is significantly affected by changes in the market price of gold, copper 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.

Other Significant Risks

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

Forward-Looking Statements

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 December 30, 2016. 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 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

Stephen Maynard, MS, CPG, has acted as the qualified person as defined in National Instrument 43-101 for this disclosure, and has supervised the preparation of the technical information in this release.

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