CANDELARIA
MINING CORP

# Management's Discussion and Analysis

# For the nine months ended January 31, 2018

(Expressed in Canadian dollars, unless otherwise noted)

March 21, 2018

*This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Candelaria Mining Corp. ("Candelaria" or the "Company") together with its subsidiaries as of the date of this report, and is intended to supplement and complement the Company's unaudited condensed interim consolidated financial statements for the nine months ended January 31, 2018. Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. Candelaria's public disclosure documents are available on SEDAR at www.sedar.com. The condensed interim consolidated financial statements and MD&A are presented in Canadian Dollars, except where noted, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the period ended January 31, 2018.*

*The MD&A contains forward-looking statements and should be read in conjunction with the risks discussed herein and those set out under the heading "Risk Factors" in Candelaria's annual audited financial statements and MD&A for the year ended April 30, 2017. Please also refer to the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A.*

## OVERVIEW

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

On March 27, 2017, the Company commenced trading on the OTCQX Market under the symbol "CDELF."

On February 27, 2015, the Company, entered into an agreement to acquire a 60% interest in Minera Apolo, S.A. de C.V. ("Apolo"). Apolo is a privately-owned exploration company with certain mining concessions located in the State of Zacatecas, Mexico (the "Property"). The Company finalized the agreement for the acquisition of Apolo on March 17, 2016.

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

On November 18, 2016, TSX Venture Exchange has 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 share capital related items presented in this MD&A are presented in post-consolidation in current fiscal year and comparative period.

# HIGHLIGHTS – Nine months ended January 31, 2018

- Cash and cash equivalents of $2.3 million as at January 31, 2018
- On September 14, 2017, the Company converted the US$2.5 million convertible debenture into 6,989,247 common shares and 3,494,523 share purchase warrants
- On September 11, 2017, the Company appointed two members of Board of Directors:

*Mark Backens, Chairman* – Mr. Backens has over 30 years of global mining experience including, most recently, as CEO of Alio Gold Inc. Mr. Backens has 10 years of investment banking experience most recently as Director of Investment Banking - Mining for Scotia Capital. Mr. Backens also has 20 years of senior management experience with Meridian Gold, Placer Dome and Goldcorp in the areas of exploration, engineering, mine construction, mine management and corporate development. Mr. Backens holds a Bachelor of Science in Geological Engineering from South Dakota School of Mines and is formerly a Professional Geologist. Mr. Backens is currently a director of Alio Gold Inc.

*Wayne Hubert* – Mr. Hubert is currently the CEO of InZinc Mining Ltd. (appointed as at October 12, 2017). Previous to that position, Mr. Hubert was most recently CEO and director of Andean Resources Limited from 2006 until December 2010. When he joined Andean, the company had a market capitalization of $70 million and a resource base of about 800,000 ounces of gold. Mr. Hubert helped lead Andean through several discoveries which increased the resource base to over 5 million ounces of high-grade gold as well as subsequent feasibility studies, financings and permitting. Andean was ultimately acquired by Goldcorp for $3.5 billion. Prior to his tenure at Andean, Mr. Hubert was Vice-President Corporate Development and Investor Relations with Meridian Gold Inc. During his 14 years career at Meridian, he gained considerable experience in the areas of finance, exploration, project development, permitting and construction. He has a bachelor of science in Chemical Engineering from the University of Cape Town and an MBA from Brigham Young University.

- On December 21, 2017, the Convertible Debenture note holder converted the remaining $625,000 to 2,083,333 common shares.

# 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, Mexico from Molimentales Del Noroeste, SA de CV, a subsidiary of Alio. 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).
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).
iii) US$6,500,000 payment upon closing, which is to occur on or before June 24, 2016 (US$5,750,000 paid as at date of the reporting, the remaining US$750,000 will be paid upon settlement of a dispute between Alio and a landowner).
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 (paid as at July 31, 2017); and
v) The Company agreed to assume a US$5.0 million payment obligation owing to Goldgroup Mining Inc. On August 18, 2016, the Company settled the US$5 million payment obligation to Goldgroup Mining Inc. in exchange for US$3.1 million in payments. Pursuant to the settlement the Company has paid US$2.5 million (through the issuance of convertible debenture, with additional US$600,000 to be paid upon SEMARNAT approval).

Caballo Blanco is located on the eastern coast of Mexico in the state of Veracruz, 65 kilometers northwest of the city of Veracruz. The project envisions a low CAPEX, simple heap-leach open pit mining operation targeting approximately 100,000 ounces of gold production annually.

Since acquiring the asset in July 2016, the Company has engaged with government authorities, community members and stakeholders. Candelaria has also closed a strategic investment with Agnico Eagle Mines Limited for C$9.7 million and significant ownership in the Company. A thorough review and update of the current Environmental Impact Assessment has been completed and submitted to SERMARNAT, the Mexican Environmental Authority. The permitting process will now follow federally mandated guidelines and timelines necessary for approval.

**NI 43-101 – Technical Report (April 20, 2017)**

*Mineral Resource Estimate*

Mineralization at La Paila in the Northern zone remains open to the north and south along trend and at depth. A 2,000 meter infill drill program was announced July 27, 2017 and will seek to confirm the resource model and provide tighter drill spacing in some areas of the resource. Numerous technical studies will be undertaken to advance Caballo Blanco. These include, but are not limited to, additional metallurgical test work, re-design of the conceptual pit, resource update, water supply studies and ore and waste rock characteristic studies.

**Indicated and Inferred Resources (1)(2)(3)(4)**

| Category | Tonnes | Au Grade (g/t) | Ag Grade (g/t) | Contained Gold Ounces | Contained Silver Ounces |
|---|---|---|---|---|---|
| Indicated | 31,220,000 | 0.52 | 2.16 | 521,000 | 2,170,000 |
| Inferred | 8,630,000 | 0.34 | 2.14 | 95,000 | 590,000 |

1. The resource estimate is based on 200 diamond drill holes completed since the discovery of the La Paila mineralized zone. The resource available for blocks contained within a conceptual open pit using metal prices of $1150 US / oz Au and $21 US / oz Ag, using a cut-off of 0.11 grams per tonne (g/t) gold.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. There is no certainty that all or any part of the Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration.
3. Gary Giroux, of Giroux Consulting, along with Jim Cuttle B.Sc. P.Geo. are qualified persons as defined in NI 43-101 are authors of the technical report and responsible for the resource estimate.
4. The effective date of the resource estimate is March 20, 2017.

**Outlook**

In the future, the Company will advance the Caballo Blanco project towards a construction decision. While the Company has made significant advancements in identifying the resource at the La Paila zone, additional drilling and technical work will be on-going. In addition, 7 other exploration targets have been identified on the property through IP Resistivity, magnetics, geo-chemical and sampling programs. The Company expects to realize a drilling program on these targets. Recent activtivies at theCaballo Blanco project include:

- Environmental Permitting update (Environmental Impact Assessment and change of use of soil permits submitted in July 2017) and subsequently retracted during late September 2017 (which was submitted to the Mexican Environmental Authority on July 14, 2017). The Company will use this time to further optimize the project and continue ongoing dialogue with the local communities and state and federal officials.

Going forward, the Company will be focusing on community and government relations. The Company plans to continue advancing the project through:

- Finalizing and releasing the exploration results from the La Paila 2,000 meter infill drill program. Obtaining permits for exploration for the 7,500 meter Phase I targets drill program.
- Initial exploration results from the 7,500 meter Phase I drill program of the new Highway, Las Cuevas, Bandera Norte and Bandera Sur targets. Optimization and technical studies on the current resource.
- Continuing the environmental permitting process and ongoing community and government relations work.

# PINOS DISTRICT, STATE OF ZACATECAS, MEXICO

**Ownership**: 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 (paid as at date of report);
iii) Issuing a total of 6.7 million common shares (issued as at date of report) of the Company in installments over an 18 months period beginning on the March 22, 2016; and
iv) Funding exploration expenditures of a minimum of US$3,500,000 (met as at date of report) by advancing funds to Apolo on or before March 22, 2018 (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. As at the date of the report, 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 an 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 ≈ 22° 18' 45" N Latitude and 101° 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.

**Drill results – October 2016**

The drilling campaign that 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.

For further details, please see annual year ended April 30, 2017 MD&A (dated August 28, 2017) or press release dated October 31, 2016 filed on the Company's website at:

http://www.candelariamining.com/index.php/news/2016-news-releases/58-candelaria-drills-4-25-m-of-4-42-g-t-aueq-at-pinos

**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 report.

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

**Outlook**

Ongoing work at the Pinos property will include sampling and trenching programs to follow up on previously identified outcropping structures, sampling of historic workings and environmental and permitting studies. The Environmental Impact Assessment, and risk assessment permits have been submitted and are currently under review by the Mexican Environmental Authority (SEMARNAT). The change of use of soil ("Estudio Tecnico Justificativo" or "ETJ") was submitted by the Company and approved on February 8, 2018. The Company will evaluate additional exploration and technical work for the project going forward.

## OTHER PROJECTS

| Project | Description |
|---|---|
| KM66 | The Kilometre 66 property consists of 17concessions 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 (7,515metres), 22 diamond drill holes (2,983 metres) and 422 surface channel samples. |
| Lucifer | The Company has discontinued its exploration activities as at January 31, 2018. |
| El Gato | The Company has discontinued its exploration activities as at January 31, 2018. |
| Guadalcazar | The Company has discontinued its exploration activities as at January 31, 2018. |
| Cascabel | The Company has discontinued its exploration activities as at January 31, 2018. |

## LIQUIDITY AND CAPITAL RESOURCES

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

| | Three months ended January 31, | | Nine months ended January 31, | |
|---|---|---|---|---|
| *(tabled amounts are expressed in thousands of Canadian. dollars)* | **2018** | **2017** | **2018** | **2017** |
| Cash used in operating activities | $ (997) | $ (627) | $ (4,689) | $ (1,237) |
| Cash used in investing activities | - | (1,110) | - | (16,563) |
| Cash flow from financing activities | 44 | 309 | 6,228 | 17,984 |
| Increase (decrease) in cash | (953) | (1,428) | 1,539 | 184 |
| Cash and cash equivalents, end of period | $ 2,277 | $ 1,696 | $ 2,277 | $ 1,696 |

As at January 31, 2018, the Company's net working capital was $2.8 million compared to net working capital deficit of $2.7 million as at April 30, 2017. The increase in net working capital was the result of the $9.6 million Agnico Eagle private placement, net of the debt repayment of US$2.5 million and net of operational expenditures.

Cash outflow from operating activities for the current period ended January 31, 2018 was higher than the previous comparative historic period because of increased corporate and exploration activities.

Cash outflow from investing activities was lower when compared to the previous comparative historic period because of the US$10.0 million Caballo Blanco acquisition payments paid in the prior year.

Cash inflow from financing activities was lower when compared with the comparative period in 2017. $12.8 million of equity and $1.6 million of debt financing were raised in 2016. In 2017, $9.6 million was raised from the Agnico Eagle private placement and the Company repaid US$2.5 million of promissory note.

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

# SUMMARY OF INTERIM CONSOLIDATED PROFIT AND LOSS

| | Three months ended January 31, | | Nine months ended January 31, | |
|---|---|---|---|---|
| *(tabled amounts are expressed in thousands of Canadian dollars)* | **2018** | **2017** | **2018** | **2017** |
| Amortization | $ (12) | $ (2) | $ (36) | $ (3) |
| Exploration expense | (384) | (195) | (1,838) | (363) |
| General and administration (1) | (210) | (113) | (935) | (463) |
| Professional fees | (167) | (327) | (845) | (473) |
| Share-based compensation | - | (271) | - | (2,863) |
| Finance cost (net) | (7) | (113) | (3,870) | (258) |
| Gain on fair value of convertible debenture | - | - | 3,033 | - |
| Gain on settlement of contingent liability | - | - | - | 2,426 |
| Foreign exchange loss | (176) | 165 | (266) | (217) |
| Net loss | (956) | (856) | (4,757) | (2,214) |
| Other comprehensive loss | (42) | 52 | 64 | 65 |
| Total comprehensive loss for the year | $ (998) | $ (804) | $ (4,693) | $ (2,149) |
| Basic & diluted loss per share | (0.01) | (0.01) | (0.03) | (0.03) |

| *(tabled amounts are expressed in thousands of Canadian dollars)* | **January 31, 2018** | January 31, 2017 | **April 30, 2017** |
|---|---|---|---|
| Cash | $ 2,277 | $ 1,696 | $ 940 |
| Total assets | 37,598 | 29,924 | 38,885 |
| Cash dividends declared | $ 0.00 | $ 0.00 | $ 0.00 |

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

Net loss current period ended January 31, 2018 were higher than the comparative period in 2017. Corporate activities and exploration activities have increased in 2018 since the acquisition of Caballo Blanco and Apolo.

Corporate expenses, professional fees and exploration expense were higher than prior period due to the increase level of operating activities since the acquisition of Caballo Blanco and Apolo. Finance cost was higher than prior year due to the non cash accretion expense related to the convertible debenture and Caballo Blanco acquisition payables. The gain on fair value of the convertible debenture were resulted from the revaluation of the conversion option of the convertible debenture. Foreign exchange resulted from the strengthening of the US dollar against the Canadian dollar.

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

As at January 31, 2018, the total assets decreased from April 30, 2017 due to the private placement from Agnico Eagle, net of the repayment of US$2.5 million promissory note and net of operational expenditures.

# QUARTERLY RESULTS

| *(tabled amounts are expressed in thousands of Canadian dollars)* | **Jan 31, 2018** | **Oct 31, 2017** | **July 31, 2017** | **Apr 30, 2017** | **Jan 31, 2017** | **Oct 31, 2016** | **Jul 31, 2016** | **Apr 30, 2016** |
|---|---|---|---|---|---|---|---|---|
| Amortization | $ (12) | $ (12) | $ (12) | $ (26) | $ (2) | $ (1) | $ - | $ - |
| Exploration expense | (384) | (832) | (622) | (1,234) | (195) | (84) | (84) | (116) |
| Stock based compensation | - | - | - | (37) | (271) | (224) | (2,368) | (116) |
| General and administration (1) | (377) | (484) | (919) | (669) | (441) | (402) | (95) | (121) |
| Finance cost, and other (expense) income | (7) | (359) | (471) | (4,087) | (113) | 2,290 | (8) | - |
| Foreign exchange | (176) | 415 | (505) | (393) | 165 | (324) | (58) | (353) |
| Net (loss) income | (956) | (1,272) | (2,529) | (6,446) | (855) | 1,254 | (2,613) | (706) |
| Other comprehensive loss | (42) | 3 | 103 | (107) | - | - | - | - |
| Net (loss) income and comprehensive loss | (998) | (1,269) | (2,426) | (6,553) | (855) | 1,254 | (2,613) | (706) |
| Basic & diluted earnings (loss) per share | (0.01) | (0.00) | (0.02) | (0.07) | (0.03) | 0.03 | (0.06) | (0.12) |
| Total assets | 37,598 | 38,549 | 42,116 | 38,885 | 29,924 | 30,133 | 21,080 | 3,502 |

(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, 2018 compared to October 31, 2017, July 31, 2017 and April 30, 2017***

Net loss of $1.0 million was lower than the October 31, 2017, July 31, 2017 and April 30, 2017. This was mainly driven by lower general and administration expense as the Company focused its resources to exploration activities and lowered corporate overhead. Foreign exchange was also favorable to the Company resulting a gain instead of a loss compared to the previous two quarters.

***Three months ended January 31, 2018 compared to all historical quarters between January 31, 2017 to April 30, 2016.***

Net loss of $1.0 million was higher than all of the historic comparative quarters between April 30, 2016 to January 31, 2017 (except July 31, 2016 due to $2.2 million of stock based compensation expense) to higher cost in all categories from increase in corporate activities and exploration activities since the acquisition of Caballo Blanco (July 2016) and Apolo (Company gained control of Apolo in August 2016).

Non-cash stock based compensation expense were lower than all historic quarters as majority of the stock options outstanding has vested and expensed in the previous historic quarters. General and administration expense were higher than any of the historic quarter as corporate activities have increased due to mineral projects acquisitions. Finance cost were higher in the current quarter due non-cash accreted interest expense related to the convertible debentures (due to change in accounting estimates and valuation). Foreign exchange gain in the quarter was due to the strengthening of the Canadian dollar against the US 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, 2018, the total assets increased to $37.6 million as compared to all other prior quarters historically due acquisition of Apolo and Caballo Blanco, and private placement from Agnico Eagle, net of repayment of US$2.5 million promissory note, and net of operational expenditures.

# SHAREHOLDER'S EQUITY

***As at January 31, 2018 and as at the date of this report (on post-consolidation basis)***

Candelaria's authorized capital stock consists of an unlimited number of common shares without par value. As at January 31, 2018 and the date of this report, the Company has the following shareholder equity item outstanding:

| | Stock options ('000) | Share purchase warrants ('000) | Common shares ('000) |
|---|---|---|---|
| As at January 31, 2018 | 5,841 | 13,763 | 110,897 |
| Warrants exercised | - | 1,000 | 1,000 |
| As at date of report | 5,841 | 12,763 | 111,897 |

During March 2018, 1,000,000 share purchase warrants with an exercise price of $0.165 were exercised.

***Stock options***

Table below provides a summary of the stock options outstanding (posted-consolidated, as at January 31, 2018 and the date of this report):

| Number of options ('000s) | Number of options vested ('000s) | Weighted average remaining contractual life (years) | Exercise price | Expiry Date |
|---|---|---|---|---|
| 1,017 | 1,017 | 3.64 | $0.15 | 22-Mar-2021 |
| 83 | 83 | 3.66 | $0.15 | 31-Mar-2021 |
| 1,134 | 1,134 | 3.92 | $0.45 | 4-Jul-2021 |
| 3,383 | 3,383 | 3.99 | $0.90 | 27-Jul-2021 |
| 100 | 100 | 4.25 | $0.90 | 31-Oct-2021 |
| 124 | 124 | 4.31 | $0.90 | 23-Nov-2021 |
| **5,841** | **5,841** | **3.83** | **$0.66** | |

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

| | Warrants outstanding ('000) | Weighted average exercise price (CAD$) |
|---|---|---|
| **Ending – April 30, 2017** | **10,652** | **$0.70** |
| Exercised | (16) | $0.75 |
| Grant | 3,494 | $0.75 |
| Expired | (367) | $0.75 |
| **Ending – January 31, 2018** | **13,763** | **$0.70** |
| Exercised | 1,000 | $0.165 |
| **Ending – As at date of the report** | **12,763** | **$0.75** |

As at the date of this report, the follow share purchase warrants are outstanding:

| Warrants outstanding ('000) | Exercise price (CAD$) | Date of Grant | Date of Expiry |
|---|---|---|---|
| 2,888 | 0.75 | 14-Jun-2016 | 14-Dec-2018 |
| 2,154 | 0.75 | 6-Jul-2016 | 6-Jan-2019 |
| 3,317 | 0.75 | 18-Aug-2016 | 18-Feb-2019 |
| 3,494 | 0.75 | 14-Sep-2017 | 18-Feb-2019 |
| 133 | 0.75 | 13-Sep-2016 | 13-March-2018 |
| 777 | 0.75 | 13-Sep-2016 | 13-March-2019 |
| **12,763** | **$ 0.75** | | |

As at January 31, 2018, the follow share purchase warrants are outstanding:

| Warrants outstanding ('000) | Exercise price (CAD$) | Date of Grant | Date of Expiry |
|---|---|---|---|
| 1,000 | $ 0.165 | 17-Mar-2016 | 17-Mar-2018 |
| 2,888 | 0.75 | 14-Jun-2016 | 14-Dec-2018 |
| 2,154 | 0.75 | 6-Jul-2016 | 6-Jan-2019 |
| 3,317 | 0.75 | 18-Aug-2016 | 18-Feb-2019 |
| 3,494 | 0.75 | 14-Sep-2017 | 18-Feb-2019 |
| 133 | 0.75 | 13-Sep-2016 | 13-March-2018 |
| 777 | 0.75 | 13-Sep-2016 | 13-March-2019 |
| **13,763** | **$ 0.70** | | |

## REGULATORY DISCLOSURES

***Off balance sheet arrangements***

The Company does not have any off-balance sheet arrangements as at January 31, 2018 and date of this report.

***Proposed Transactions***

The Company does not have any proposed transactions as at January 31, 2018 and date of this report other than as disclosed elsewhere in this document.

***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 January 31, 2018 and 2017, 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 January 31, 2018 and 2017.

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 January 31, 2018 and 2017.

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.

Other financial liabilities

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

*Fair values of financial instruments*

The fair values of financial instruments are summarized as follows:

| In thousands ('000) | January 31, 2018 | | April 30, 2017 | |
|---|---|---|---|---|
| | Carrying value $ | Fair value $ | Carrying value $ | Fair value $ |
| **Financial assets** | | | | |
| *Loans and receivables* | | | | |
| Cash and cash equivalents(1) | 2,277 | 2,277 | 940 | 940 |
| Other receivables(1) | 112 | 112 | 147 | 147 |
| **Financial liabilities** | | | | |
| *Fair value through profit or loss* | | | | |
| Convertible debenture | - | - | 7,563 | 7,563 |
| *Other financial liabilities* | | | | |
| Accounts payable & accrued liabilities (1) | 430 | 430 | 700 | 700 |
| Caballo Blanco acquisition payable(1) | 1,665 | 1,665 | 1,769 | 1,769 |
| Promissory notes (1) | - | - | 3,339 | 3,339 |

(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 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 United States dollars. Fluctuations of the operating currencies in relation to the United States 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, 2018 are denominated in United States Dollars, Canadian Dollars, and Mexican Pesos, and are set out in the following table:

| | Canadian Dollars | US Dollars | Mexico Pesos | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalent | $ 16 | $ 2,173 | $ 88 | $ 2,277 |
| Other receivables | 11 | - | 2,561 | 2,572 |
| | 27 | 2,173 | 2,649 | 4,849 |
| **Financial liabilities** | | | | |
| Accounts payables and accrued liabilities | (311) | (13) | (106) | (430) |
| Caballo Blanco Acquisition Payable | - | (1,665) | - | (1,665) |
| Net financial (liabilities) assets | (284) | 495 | 2,543 | 2,754 |

The Company's financial assets and liabilities as at April 30, 2017 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 | Mexico Pesos | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalent | $ 146 | $ 542 | $ 252 | $ 940 |
| Other receivables | 158 | - | 1,773 | 1,931 |
| | 304 | 542 | 2,025 | 2,871 |
| **Financial liabilities** | | | | |
| Accounts payables and accrued liabilities | (261) | (284) | (155) | (700) |
| Caballo Blanco Acquisition Payable | - | (1,769) | - | (1,769) |
| Promissory note | - | (3,339) | - | (3,339) |
| Convertible debenture – FVTPL | - | (7,563) | - | (7,563) |
| Convertible debenture – amortized cost | - | (1,740) | - | (1,740) |
| Net financial (liabilities) assets | $ 43 | $ (14,153) | $ 1,870 | $ (12,240) |

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Mexican Pesos exchange rate. As of January 31, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately $50,000 (April 30, 2017 - $1,415,000). 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 Mexican Pesos relative to the Canadian dollar would have decreased net financial asset by approximately $254,000 (April 30, 2017 - $187,000) and a 10% depreciation of the Mexican Pesos 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.

| Jan. 31, 2018 – in thousands ('000) | Current – within 1 year | Non- current – 1 to 3 years |
|---|---|---|
| Accounts payables and accrued liabilities | $ 430 | $ - |
| Caballo Blanco Acquisition Payable | 1,665 | - |
| | $ 2,095 | $ - |

| April 30, 2017 – in thousands ('000) | Current – within 1 year | Non- current – 1 to 3 years |
|---|---|---|
| Accounts payables and accrued liabilities | $ 700 | $ - |
| Caballo Blanco Acquisition Payable | 1,769 | - |
| Promissory note | 3,339 | |
| Convertible debenture – FVTPL | - | 7,563 |
| Convertible debenture – amortized cost | - | 1,740 |
| | $ 5,808 | $ 9,303 |

***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 period ended January 31, 2018, are as follows:

| In thousands ('000) | Three months ended January 31, | | Nine months ended January 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Consulting fees | $ 149 | $ 43 | $ 334 | $ 88 |
| General and administration | - | 18 | 33 | 86 |
| Stock based compensation | - | 271 | - | 2,863 |

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 2018 and 2017. 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 2018 and 2017. These expenses were measured at the exchange amounts agreed upon by the parties. As at January 31, 2018 the Company had amounts payable of $11,000 (April 30, 2017 - $23,000) 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 period ended January 31, 2018, 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, 2017 (together the "Annual Filings") and the Company's interim financial statements for the period ended January 31, 2018. 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 2 relating to going concern.

***Significant Accounting Policies***

Please refer to the audited annual financial statements for the year ended April 30, 2017 and the unaudited interim financial statements for the period ended January 31, 2018 for the Company's significant accounting policies. Both of which were filed on SEDAR.

***Risk and uncertainties***

This MD&A contains forward-looking statements. Readers are cautioned as to the risks and uncertainties related to the forward-looking statements and are directed to those risks and uncertainties discussed in the April 30, 2017 annual MD&A dated August 28, 2017, which was filed on SEDAR.

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**

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 report.

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