Cautivo Mining Inc.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2017

(Unaudited - Expressed in US dollars)

Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Cautivo Mining Inc.

Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2017 and December 31, 2016

(Unaudited - Expressed in US dollars)

	Notes	September 30, 2017 $	December 31, 2016 $
ASSETS			
Current assets			
Cash and cash equivalents		7,314,415	21,777
Accounts receivable		19,932	2,057
Prepaid expenses		45,400	-
		7,379,747	23,834
Mining properties	5	8,795,295	7,701,517
Property, plant and equipment		12,466	2,322
TOTAL ASSETS		16,187,508	7,727,673
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		269,440	153,459
Related party loan	7	512,566	159,718
TOTAL LIABILITIES		782,006	313,177
SHAREHOLDERS' EQUITY			
Share capital	6	45,880,076	100
Contributed surplus		7,159,698	44,538,611
Deficit		(35,443,309)	(35,159,240)
Accumulated other comprehensive loss		(2,190,963)	(1,964,975)
TOTAL SHAREHOLDERS' EQUITY		15,405,502	7,414,496
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,187,508	7,727,673

General information (Note 1)
Subsequent event (Note 10)

Approved by the Board of Directors

"J. Alberto Arias"	*"Doug Cater"*
J. Alberto Arias	Doug Cater
Director	Director

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

Cautivo Mining Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2017 and 2016

(Unaudited - Expressed in US dollars)

	Notes	Three months ended September 30 2017 $	Three months ended September 30 2016 $	Nine months ended September 30 2017 $	Nine months ended September 30 2016 $
EXPENSES					
General and administrative	9	(298,985)	(9,836)	(692,870)	(112,504)
Amortization		(1,048)	(360)	(1,653)	(1,072)
Foreign exchange gain		280,104	67,192	410,454	126,684
(LOSS) INCOME FOR THE PERIOD		(19,929)	56,996	(284,069)	13,108
OTHER COMPREHENSIVE (LOSS) INCOME					
Unrealized (loss) gain on translation of financial statements		(112,576)	(85,817)	(225,988)	279,964
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(132,505)	(28,821)	(510,057)	293,072
(Loss) income per share – basic and diluted		(0.00)	0.02	(0.06)	0.00
Weighted average number of shares outstanding		7,805,896	3,252,588	4,787,699	3,252,588

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

Cautivo Mining Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
For the nine months ended September 30, 2017 and 2016

(Unaudited - Expressed in US dollars)

	Number of Shares #	Amount $	Contributed Surplus $	AOCI $	Deficit $	Total $
Balance as at December 31, 2015	-	-	43,906,436	(2,120,980)	(35,030,418)	6,755,038
Funding and expenses paid by Sierra Metals Inc.	-	-	555,179	-	-	555,179
Income and comprehensive income for the period	-	-	-	279,964	13,108	293,072
Balance as at September 30, 2016	-	-	44,461,615	(1,841,016)	(35,017,310)	7,603,289
Balance as at December 31, 2016	1,000	100	44,538,611	(1,964,975)	(35,159,240)	7,414,496
Funding and expenses paid by Sierra Metals Inc.	-	-	607,224	-	-	607,224
Shares issued pursuant to Reorganization	3,252,588	37,986,137	(37,986,137)	-	-	-
Shares issued pursuant to a Rights Offering	11,904,641	7,961,383	-	-	-	7,961,383
Less: share issuance costs	-	(67,544)	-	-	-	(67,544)
Loss and comprehensive loss for the period	-	-		(225,988)	(284,069)	(510,057)
Balance as at September 30, 2017	15,158,229	45,880,076	7,159,698	(2,190,963)	(35,443,309)	15,355,502

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

Cautivo Mining Inc.

Condensed Interim Consolidated Statement of Cash Flows
For the nine months ended September 30, 2017 and 2016

(Unaudited - Expressed in US dollars)

	For the nine months ended September 30, 2017 $	For the nine months ended September 30, 2016 $
OPERATING ACTIVITIES		
(Loss) income for the period	(284,069)	13,108
Items not affecting cash:		
Amortization of property, plant, and equipment	1,653	1,072
Foreign exchange gains	(410,454)	(126,684)
	(692,870)	(112,504)
Change in non-cash operating working capital items:		
Prepaids	(45,400)	-
Accounts receivable	(17,875)	2,953
Accounts payable and accrued liabilities	115,981	(2,654)
Cash flows used in operating activities	(640,164)	(112,205)
INVESTING ACTIVITIES		
Purchase of mining properties and exploration costs	(908,916)	(736,803)
Purchase of equipment	(11,797)	-
Cash flows used in investing activities	(920,713)	(736,803)
FINANCING ACTIVITIES		
Proceeds from Rights Offering, net of share issue costs	7,893,839	-
Proceeds from related party loan	1,568,916	855,305
Repayment of related party loan	(608,844)	-
Cash flows provided by financing activities	8,853,911	855,305
Effect of foreign exchange rate changes on cash held in foreign currency	(396)	467
INCREASE IN CASH	7,292,638	6,764
CASH, BEGINNING OF THE PERIOD	21,777	14,422
CASH, END OF THE PERIOD	7,314,415	21,186
Cash	183,005	21,186
Cash equivalents	7,131,410	-
Interest paid	-	-
Taxes paid	-	-

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

(Unaudited - Expressed in US dollars except where otherwise indicated)

1. GENERAL INFORMATION:

Cautivo Mining Inc. ("Cautivo" or the "Company") was incorporated under the Business Corporations Act (Ontario) on December 6, 2016, and is domiciled in Canada. Cautivo's head office is located at Av Primavera 1796, Office 702, Santiago de Surco, Lima, Peru. Cautivo's mailing address 880 – 580 Hornby Street, Vancouver, BC, V6C 3B6, Canada.

The Company is an exploration company focused on acquiring, exploring and, if warranted, developing gold, silver, copper, zinc and lead mineral properties. Following the Reorganization (Note 2), the Las Lomas Project comprises the main asset of the Company. The Las Lomas Project consists of 43 existing or pending mining concessions totaling 31,288 ha, located in the Department of Piura in northern Peru, near the Ecuador border.

Cautivo Mining is a public company which is listed on the Canadian Securities Exchange under the symbol "CAI".

2. TRANSACTION WITH SIERRA METALS INC. AND BASIS OF PRESENTATION:

Cautivo was incorporated on December 6, 2016 as a wholly-owned subsidiary of Sierra Metals Inc. ("Sierra"), with 1,000 common shares outstanding on incorporation. On July 27, 2017, Sierra completed the transfer to Cautivo of: (i) all of the outstanding shares of Plexmar Resources Inc. ("Plexmar"); and (ii) the advances made by Sierra to Plexmar in the aggregate amount of $5,464,325, in exchange for 3,252,588 Cautivo common shares (the "Reorganization"). As a result of the Reorganization, the Las Lomas Project now comprises the main asset of Cautivo.

On August 8, 2017, Sierra completed a distribution to its shareholders of 3,253,588 Cautivo common shares as a return of capital reducing Sierra's shareholdings in Cautivo from 100% to nil (the "Arrangement").

The carrying value of the net assets contributed to Cautivo pursuant to the Arrangement consisted of the following as at July 27, 2017:

	$
Net Assets	
Cash	37,498
Amounts receivable	12,839
Prepaids	14,856
Exploration and evaluation assets	8,774,209
Equipment	13,207
Accounts payable and accrued liabilities	(243,606)
Related party loan	(512,566)
Total Net Assets	8,096,437
Accumulated deficit	34,846,594
Accumulated other comprehensive loss	2,202,804
	37,049,398
Subtotal	45,145,835
Shares issued pursuant to the Reorganization	(45,145,835)
Total	-

As the shareholders of Sierra continued to hold their respective interests in Cautivo and Plexmar; there was no resultant change of control in either Cautivo or Plexmar. The Reorganization and the Arrangement has thus been determined to be a capital reorganization, and is excluded from the scope of IFRS 3 (R), Business Combinations.

Under the continuity of interest basis of accounting the assets and liabilities transferred are recorded at their pre-combination carrying values. The statements of loss and comprehensive loss now has been recast to include the income and expenses related to Plexmar as if Cautivo and Plexmar had always been together. Up to the date of the Reorganization, amounts advanced by Sierra to Cautivo or Plexmar have been reflected as net investments from Sierra in the consolidated statements of changes in equity (contributed surplus).

The net investment from Sierra represents the deficit up to the close of the Reorganization and the carrying values of the net assets contributed and recorded under continuity of interest accounting.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of Plexmar Resources Inc. for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These consolidated financial statements have been prepared on the historical cost basis.

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual financial statements of Company for the year ended December 31, 2016.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 22, 2017.

Basis of consolidation

The condensed interim consolidated financial statements of the Company include the accounts of its wholly owned subsidiaries, Plexmar Resources Inc., located in Canada, Plexmar Ecuador S.A., located in Ecuador, Sociedad Minera San Miguelito S.A.C. (“San Miguelito”), located in Peru, and Minera Ate S.A.C. (“Minera Ate”), located in Peru. All significant intercompany transactions and balances are eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

These condensed interim consolidated financial statements are presented in US dollars. The Companies Cautivo Mining Inc., Plexmar Resources Inc. and Plexmar Ecuador S.A. have a functional currency of Canadian dollars. The functional currency of subsidiaries San Miguelito and Minera Ate are US dollars. The currency translation adjustments resulting from the translation of the entities with the Canadian dollar functional currency to the Company’s U.S. dollar presentation currency is charged to other comprehensive income or loss, and included in accumulated other comprehensive income or loss within the shareholders’ equity section of the statement of financial position. References herein to "$" are to the United States dollar and “C$” are to the Canadian dollar.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE:

The following standards and amendments to existing standards have been published and are mandatory for annual periods beginning January 1, 2018, or later periods:

- IFRS 9, Financial Instruments - Recognition and Measurement

  The International Accounting Standards Board ("IASB") issued its completed version of IFRS 9 in July 2014. The completed standard provides revised guidance on the recognition and measurement of financial assets and liabilities. It also introduces a new expected credit loss model for calculating impairment for financial assets and liabilities. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard.

  This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the extent of the impact of the adoption of this standard.

- IFRS 15, Revenue from Contracts with Customers

  IFRS 15 was issued in May 2014, and covers principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The adoption of this standard will have no impact on the Company's consolidated financial statements.

- IFRS 16, Leases

  In January 2016, the IASB issued this standard which is effective for periods beginning on or after January 1, 2019, which replaces the current guidance in IAS 17, Leases, and is to be applied either retrospectively or a modified retrospective approach. Early adoption is permitted, but only in conjunction with IFRS 15. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off-balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflective of future lease payments and a right-of-use asset for virtually all lease contracts. The Company has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS:

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual consolidated financial statements and the reported amounts of gain and expenses during the reporting period. Such estimates and assumptions, which by their nature are uncertain, affect the carrying value of assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed. Other significant estimates made by the Company include factors affecting valuations of income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

Significant judgements include:

Minera Ate Consolidation
Although the Company does not have any voting rights in Minera Ate, the Company has determined that it has control over the entity as the Company is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Accordingly, Minera Ate is fully consolidated in these condensed interim consolidated financial statements.

(Unaudited - Expressed in US dollars except where otherwise indicated)

Minera Ate Concessions
The Company has determined that, through the contractual arrangements with Minera Ate, the Company, subject to the receipt of the required Supreme Decree, is entitled to conduct exploration activities on the specific concessions under the option arrangement, and obtains the future benefits from those explorations activities as San Miguelito can acquire such concessions at no additional cost above those already incurred by San Miguelito.

Impairment review of asset carrying values
At every reporting period, the Company assesses whether there are any indicators that the carrying value of its assets or Cash Generating Units ("CGUs") may be impaired, which is a significant management judgement. Where there is an indication that the carrying amount of an asset may not be recoverable, the Company prepares a formal estimate of the recoverable amount. As at September 30, 2017, the Company concluded that there were no indicators of impairment on their assets.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to whether future economic benefits may be realized on exploration properties and the expectations of future taxable income based on cash flows from operations and the application of existing tax laws in each jurisdiction.

5. MINING PROPERTIES:

Mining properties comprise exploration and evaluation assets and mineral rights acquired as follows:

	$
Balance as at December 31, 2015	6,884,776
Additions	757,049
Effect of foreign currency translation	59,692
Balance as at December 31, 2016	7,701,517
Acquisition costs	
Option payments	200,000
Concession payments	503,641
Exploration costs	
Salaries, wages and benefits	90,392
Other	148,558
Effect of foreign currency translation	151,187
Balance as at September 30, 2017	8,795,295

The exploration and evaluation assets relate to the Las Lomas Project which consists of 43 mining concessions located in the Department of Piura in northern Peru, near the Ecuador border, on the west side of the Andes Cordillera.

Mining concessions are granted for an unlimited period of time over areas consisting of a minimum of 100 ha and a maximum of 1,000 ha (though concessions located at sea may extend to 10,000 ha). There is no limit to the number of mining concessions that one individual company may hold. Mining concessions are irrevocable, except when the titleholder does not fulfil his obligation that include the payment of the Good Standing Fee.

(Unaudited - Expressed in US dollars except where otherwise indicated)

6. SHARE CAPITAL:

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

b) Sierra Metals Inc. Reorganization and Rights Offering:

On August 8, 2017, Sierra Metals Inc. distributed 3,253,588 Cautivo common shares to Sierra shareholders, reducing Sierra's shareholdings in Cautivo from 100% to nil. The Cautivo common shares were distributed pursuant to a spin-off by Sierra and Sierra did not receive any proceeds from the distribution.

Immediately following the distribution, Cautivo issued 11,904,641 rights (the "Rights") pursuant to a rights offering, whereby holders of Sierra common shares received 3.6589638 Rights for every Sierra common share held. For every whole Right held, a holder was entitled to subscribe for one Cautivo common share at a price of C$0.84 per share at any time from August 8, 2017 to August 29, 2017.

On August 31, 2017, the Company completed the Rights Offering by issuing 11,904,641 Cautivo common shares at C$0.84 per share for gross proceeds of C$9,999,898 ($7,961,383). In connection with the Rights Offering, the Company incurred $67,544 in other share issuance costs including legal, managing dealer and filing fees.

Loss per share information in these consolidated financial statements has been presented as if the common shares issued in connection with the closing of the Reorganization had been issued and outstanding at the beginning of all periods presented.

7. RELATED PARTY TRANSACTIONS:

Dia Bras Peru, S.A.C (Dia Bras Peru), a related company to Sierra, provided Plexmar with a credit facility (the "Advances"), the proceeds of which were to be used to pay amounts due on mining concessions and fund ongoing working capital costs. The USD dollar credit facility was non-interest bearing and did not have a maturity date. The amount outstanding on the loan as at September 30, 2017 was $512,566 (December 31, 2016 - $4,857,101) and has been presented within current liabilities.

As at the date of the Reorganization (Note 2), Advances due to Sierra amounted to $5,976,891. As part of the Reorganization, Sierra agreed to transfer $5,464,325 of the Advances to Cautivo. The remaining $512,566 of advances were repaid to Sierra subsequent to September 30, 2017.

Prior to completion of the Reorganization, Sierra provided funding to Cautivo to pay for all Cautivo operating expenses. Cautivo had amounts payable to Sierra, its former parent company as at December 31, 2016 of C$214,445 ($159,718)). During the nine months ended September 30, 2017, the amount payable to Sierra increased to C$758,011 ($608,844). On September 28, 2017, the amount payable to Sierra was repaid. The amount was unsecured, non-interest bearing and due on demand.

Key management includes the Chief Executive Officer, the Chief Operating Officer and the directors of the Company. Compensation paid or payable to key management during the nine months ended September 30, 2017 and 2016 was as follows:

	2017 $	2016 $
Short-term benefits	102,675	-
	102,675	-

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8. SEGMENT DISCLOSURES:

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Peru.

For the nine months ended September 30:

			2017
	Peru $	Corporate $	Total $
General and administrative expenses	(327,999)	(364,871)	(692,870)
Amortization of property, plant and equipment	(1,653)	-	(1,653)
Foreign exchange (loss) gain	(5,819)	416,273	410,454
(Loss) income	(335,471)	51,402	(284,069)
Mining properties	8,795,295	-	8,795,295
Other segment assets	95,395	7,296,818	7,392,213

			2016
	Peru $	Corporate $	Total $
General and administrative expenses	(112,504)	-	(112,504)
Amortization of property, plant and equipment	(1,072)	-	(1,072)
Foreign exchange (loss) gain	(2,864)	129,548	126,684
(Loss) income	(116,440)	129,548	13,108
Mining properties	7,728,380	-	7,728,380
Other segment assets	16,315	8,922	25,237

9. EXPENSES BY NATURE:

General and administration expenses

General and administrative expenses by nature during the nine months ended September 30, 2017 and 2016 are as follows:

	2017 $	2016 $
Good standing fee and administrative penalties	-	75,453
Consulting and professional fees	419,176	6,024
Travelling expenses	12,834	4,767
Other	260,860	26,260
	692,870	112,504

10. SUBSEQUENT EVENT:

Subsequent to September 30, 2017, the Company repaid the Advances due to Sierra in the amount of $512,566 (Note 7).