



# CANDENTE GOLD CORP



## ANNUAL INFORMATION FORM

**For the fiscal year ended March 31, 2013 (unless otherwise noted)**

**Dated June 27, 2013**

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## PRELIMINARY NOTES

In this Annual Information Form (the “AIF”), unless the context otherwise requires, the terms the “Company” and “Candente Gold” refer to Candente Gold Corp.

### DOCUMENTS INCORPORATED BY REFERENCE

Incorporated by reference into this AIF are the following documents:

- (a) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2013; AND
- (b) MANAGEMENT’S DISCUSSION AND ANALYSIS OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2013;

COPIES OF WHICH CAN BE OBTAINED ONLINE FROM SEDAR AT WWW.SEDAR.COM.

ALL FINANCIAL INFORMATION IN THIS AIF IS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) UNLESS OTHERWISE INDICATED.

### DATE OF INFORMATION

All information in this AIF is as of March 31, 2013 unless otherwise indicated.

### FORWARD-LOOKING INFORMATION

This AIF contains statements which are forward looking information (“forward looking information”) within the meaning of applicable Canadian securities legislation. Such forward looking information concerns the Company’s anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as, “expects”, “anticipates”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts”, “seeks”, “likely”, or negative versions thereof and other similar expressions, or future conditional verbs such as “may”, “will”, “should”, “would” and “could”. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. Statements concerning mineral resource estimates may also be deemed to constitute forward looking information to the extent that they involve estimates of the mineralization that will be encountered if a mineral property is developed.

Forward looking information is subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking information, including, without limitation:

- EXPLORATION HAZARDS AND RISKS;
- RISKS RELATED TO EXPLORATION AND DEVELOPMENT OF NATURAL RESOURCE PROPERTIES;
- UNCERTAINTY IN THE COMPANY’S ABILITY TO OBTAIN FUNDING;
- PRECIOUS AND BASE METAL PRICE FLUCTUATIONS;
- RECENT MARKET EVENTS AND CONDITIONS;
- RISKS RELATED TO THE UNCERTAINTY OF MINERAL RESOURCE CALCULATIONS AND THE INCLUSION OF INFERRED MINERAL RESOURCES IN ECONOMIC ESTIMATION;

- RISKS RELATED TO GOVERNMENTAL REGULATIONS;
  - RISKS RELATED TO OBTAINING NECESSARY LICENSES AND PERMITS;
  - RISKS RELATED TO THE COMPANY’S BUSINESS BEING SUBJECT TO ENVIRONMENTAL LAWS AND REGULATIONS;
  - RISKS RELATED TO THE COMPANY’S MINERAL PROPERTIES BEING SUBJECT TO PRIOR UNREGISTERED AGREEMENTS, TRANSFERS, OR CLAIMS AND OTHER DEFECTS IN TITLE;
- RISKS RELATING TO COMPETITION FROM LARGER COMPANIES WITH GREATER FINANCIAL AND TECHNICAL RESOURCES;
- RISKS RELATING TO THE COMPANY’S INABILITY TO MEET ITS FINANCIAL OBLIGATIONS UNDER AGREEMENTS TO WHICH IT IS A PARTY;
  - ABILITY TO RECRUIT AND RETAIN QUALIFIED PERSONNEL; AND
  - RISKS RELATED TO THE COMPANY’S DIRECTORS AND OFFICERS BECOMING ASSOCIATED WITH OTHER NATURAL RESOURCE COMPANIES WHICH MAY GIVE RISE TO CONFLICTS OF INTERESTS.

This list is not exhaustive of the factors that may affect the Company’s forward-looking information. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information. The Company’s forward-looking information is based on beliefs, expectations and opinions of management on the date the statements are made and the Company does not assume any obligation to update forward-looking information if circumstances or management’s beliefs, expectations or opinions change, except as required by law. A number of important facts could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, the risks described under the heading “Description of the Business – Risk Factors” below. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

This forward-looking information is made as of the date hereof and the Company will update this forward-looking information as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking information.

Readers are encouraged to consult the Company’s public filings at for additional information concerning these matters: [www.sedar.com](http://www.sedar.com).

## CURRENCY AND EXCHANGE

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated. The Company’s financial statements are expressed in United States dollars and are prepared in accordance with IFRS. All references to “CAD” or “\$” are to the Canadian dollar and to “USD” or “US\$” are to the United States dollar.

The following table sets forth the rate of exchange for the Canadian dollar, expressed in United States dollars in effect at (a) the end of the periods indicated and (b) the average of exchange rates in effect on the last day of each month during such periods, based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into United States dollars.

CAD to USD	Year Ended March 31,		
	2013	2012	2011
Rate at end of period	USD 0.9813	USD 1.009	USD 1.029
Average rate for period	USD 0.99890	USD 1.007	USD 0.9840

On June 27, 2013, the nominal noon exchange rate as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollar was CAD 1.00 equals USD 1.0480 and the nominal closing exchange rate as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was CAD 1.00 equals USD 1.0475.

## METRIC EQUIVALENTS

For ease of reference, the following factors for converting imperial measurements into metric equivalents are provided:

To convert from imperial	To metric	Multiply by
Acres	Hectares	0.404686
Feet	Metres	0.30480
Miles	Kilometres	1.609344
Tons	Tonnes	0.907185
Ounces (troy)/ton	Grams/Tonne	34.2857

## CORPORATE STRUCTURE

### NAME, ADDRESS AND INCORPORATION

The Company was incorporated under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) on April 24, 2009.

The authorized share capital of the Company consists of an unlimited number of common shares (“**Common Shares**”) without par value. All Common Shares of the Company rank equally as to voting, and there are no special preference, conversion or redemption rights attached to any of the Common Shares of the Company. All of the issued Common Shares are fully paid and non-assessable.

The Company’s Common Shares were listed on the Toronto Stock Exchange (“**TSX**”) on January 4, 2010 and on the Bolsa de Valores de Lima (Lima Stock Exchange) (“**BVL**”) on August 23, 2010 under the symbol “CDG”.

The Company is currently a reporting issuer in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

The Company’s CUSIP and ISIN numbers are 13740H100 and CA13740H1001, respectively.

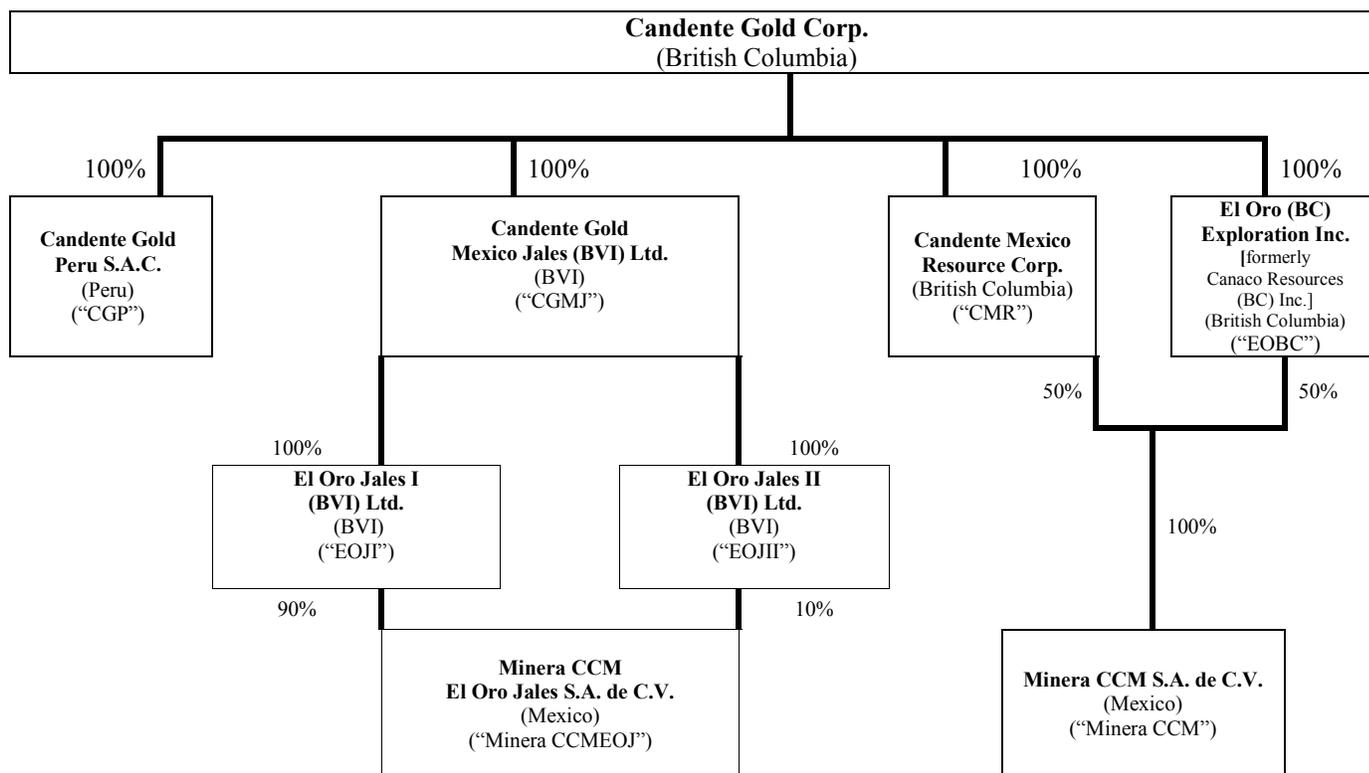
The Company’s head office and registered and records office is located at Suite 1650-400 Burrard Street, Vancouver, British Columbia, Canada V6C 3A6. The Company’s contact person is Maria Eugenia (Lola) Montagne, Corporate Secretary and Treasurer. The Company maintains a website at [www.candentegold.com](http://www.candentegold.com).

### INTERCORPORATE RELATIONSHIPS

The Company has eight active, direct or indirect, wholly- owned subsidiaries:

- (1) Candente Mexico Resource Corp. (“**CMRC**”), incorporated under the BCBCA;
- (2) El Oro (BC) Exploration Inc. (formerly Canaco Resources (BC) Inc.) (“**EOBC**”), incorporated under the BCBCA;
- (3) Candente Gold Peru S.A.C. (“**CGPS**”), incorporated under the laws of Peru;
- (4) Candente Gold Mexico Jales (BVI) Ltd. (“**CGMJ**”), incorporated under the BVI laws;
- (5) El Oro Jales I (BVI) Ltd. (“**EOJI**”), incorporated under the BVI laws;
- (6) El Oro Jales II (BVI) Ltd. (“**EOJII**”), incorporated under the BVI laws;
- (7) Minera CCM El Oro Jales S.A. de C.V. (“**Minera CCMEOJ**”), incorporated under the laws of Mexico; and
- (8) Minera CCM S.A. de C.V. (“**Minera CCM**”), incorporated under the laws of Mexico.

The following diagram sets out the inter-corporate relationship among the Company and each of its subsidiaries and the percentage of votes attaching to all voting securities of each subsidiary beneficially owned or controlled by or directed, directly or indirectly by the Company:



Note:

(1) Single share of Candente Gold Peru S.A.C. held by Joanne Freeze as required under Peruvian law.

Throughout this AIF, references made to the “**Company**” refer to Candente Gold and, where context requires, its consolidated subsidiaries, CGP, CGMJ, CMR, EOBC, EOJI, EOJII, Minera CCMEOJ and Minera CCM.

## GENERAL DEVELOPMENT OF THE BUSINESS

### GENERAL

The Company is principally engaged in the exploration and development of mineral properties in Mexico and Peru. The Company is in the exploration stage as its properties have not yet reached commercial production and none of its properties are beyond the preliminary exploration stage. All work presently planned by the Company is directed at defining mineralization and increasing understanding of the characteristics of, and economics of, that mineralization.

The Company’s principal asset is the El Oro gold-silver property located in the States of Mexico and Michoacán, Mexico (the “**El Oro Property**”). As of May 1, 2012, the Company had earned a 70% undivided interest in the El Oro property. On October 22, 2013, in accordance with the Joint Venture Agreement, a 12 month work program with budget was proposed to Goldcorp. However, this proposal included drilling which required completion of current data compilation and 3D modeling to delineate drill targets. On February 20, 2013 Goldcorp S.A. de C.V. (“Goldcorp Mexico”) formerly Luismin S.A. de C.V., advised that they were declining to participate in the proposed work program. Various discussions were held with Goldcorp regarding their ongoing interest in the project and it was decided that the necessary work to justify drilling should be completed before proposing a new budget to Goldcorp. Under the Letter Agreement, any failure by a participant to elect to contribute to an approved work program that is completed to at least 80% of the budgeted exploration expenditures will result in the dilution of the non-contributing participant’s interest in the El Oro Property.

The Company has recently acquired (June 12, 2012) the rights for access and processing Tailing deposits located in the town of El Oro de Hidalgo Mexico. The agreement allows the Company a one year period to carry out test work to ascertain recoveries and potential economic viability of a tailings reclamation and reprocessing operation, for contributions upon signing the Agreement and monthly contributions starting 30 days after signing the Agreement. The contributions will be used to fund Social projects. If Candente Gold decides to enter into the reprocessing and the reclamation phase (Phase II), then a Net Profits Interest (“NPI”) of 8% will be paid to the municipality of Hidalgo during the period of operation.

In addition to the El Oro Property, the Company holds a 100% interest in the Tres Marias, Fredito, Lunahuana, Oro Queropalca, Alto Dorado/Toril, Las Brujas, Picota and Las Sorpresas properties in Peru. See “General Development of the Business – Three Year History” and “Description of the Business – Mineral Exploration Projects” for further information on the Company’s assets.

### **THREE YEAR HISTORY**

Since incorporation on April 24, 2009, the Company has been involved in the exploration of natural resource properties.

#### ***Period from incorporation to March 31, 2010***

On April 14, 2009, Candente Copper Corp. (“**Candente Copper**”) and Canaco Resources Inc. (“**Canaco**”) each agreed to transfer its respective 50% interest in the El Oro Property (collectively, the “**El Oro Interests**”) to the Company. Additionally, Candente Copper agreed to transfer its Peruvian gold-silver properties (the “**Peruvian Properties**”) to the Company.

The transfer of the Peruvian Properties was completed as part of a plan of arrangement (the “**Arrangement**”), which was subject to both court and shareholder approval. Under the Arrangement, in addition to the transfer of assets, Candente Copper’s shareholders were issued one (1) common share of the Company for every five (5) shares of Candente Copper held.

On May 8, 2009, Candente Copper and Canaco completed the transfer to the Company of their respective 50% interests in Minera CCM, the Mexican company that holds the option with Goldcorp Mexico, a subsidiary of Goldcorp Inc. (“**Goldcorp**”) on the El Oro Property in Mexico.

At Candente Copper’s Annual General and Special Meeting held on July 10, 2009, Candente Copper’s shareholders ratified and approved the Arrangement.

On December 17, 2009, under the terms of the Arrangement, Candente Copper transferred ownership of the Peruvian Properties to the Company.

By virtue of its acquisition of the El Oro Interests, the Company became party to the option agreement (the “**2006 Agreement**”) between Candente Copper, Minera CCM, Canaco, Goldcorp Mexico and Desarrollos Mineros San Luis, S.A. de C.V. (“**Desarrollos Mineros**”). The 2006 Agreement provides Minera CCM with an option (the “**Option**”) which, if exercised, allows Minera CCM to earn up to an undivided 70% working interest in and to the El Oro Interests, which comprise certain exploration and exploitation concessions situated in the mining districts of El Oro and Tlalpujahua, Mexico and Michoacán States, Mexico. The Option is comprised of a first option to initially acquire a 50% interest in the El Oro Property (the “**First Option**”) and a further option to acquire an additional 20% interest in the El Oro Property (the “**Second Option**”). The exercise of both the First Option and the Second Option were conditional on the Company completing certain issuances of Common Shares and making certain levels of exploration expenditures within specific time frames, as further set out below.

In 2009, the parties to the 2006 Agreement entered into two letter agreements setting out certain amendments to the 2006 Agreement (as amended, the “**El Oro Agreement**”), that established certain criteria that needed to be satisfied before the Company could exercise the first or second option.

During the quarter ending December 31, 2009, the Company completed a private placement (the “**Private Placement**”) for gross proceeds of US\$8,508,378 (CAD\$9,028,130) from the sale of units (“**Units**”) consisting of

one Common Share and one-half Common Share purchase warrant (each full warrant, a “**Warrant**”). Pursuant to the Private Placement, the Company issued a total of 22,570,327 Common Shares and certificates representing 11,285,162 Warrants. Each full Warrant was exercisable at a price of CAD\$0.60 per common share until January 4, 2012. The Company paid to agents assisting in the Private Placement a total of US\$298,528 (CAD\$313,186) in cash commissions and issued to them 735,345 Common Share purchase warrants (the “**Agents’ Warrants**”). The cash commissions and Agents’ Warrants equaled 6.5% of the aggregate number of Units sold by the agents pursuant to the Private Placement. Each of the Agents’ Warrants was exercisable for a period of 24 months to purchase one additional Common Share of at a price of CAD\$0.60 per share.

Pursuant to the policies of the TSX, on January 6, 2010, the Company was deemed to have issued 872,890 Company warrants to warrant holders of Candente Copper on the basis of one Company warrant for every five warrants held in Candente Copper at the time the Arrangement was completed. The 4,364,450 Candente Copper warrants (the “**Copper Warrants**”) had exercise prices ranging from CAD\$1.75 to CAD\$2.00 and expired on June 26, 2010.

Pursuant to the policies of the TSX, on January 6, 2010, the Company was deemed to have issued 1,638,350 Company options to option holders of Candente Copper on the basis of one Company option for every five options in Candente Copper existing at the time the arrangement was completed. The 8,191,750 Candente Copper options (the “**Copper Options**”) have exercise prices ranging from CAD\$0.42 to CAD\$1.40 and expiry dates from January 3, 2011 to November 24, 2014. A total of 1,337,100 of these options have been forfeited as of March 31, 2013. The Company will receive or has received 24.06% of the exercise price on the exercise of the Copper Options.

On January 18, 2010, Darin Wagner was appointed an independent director of the Company and on October 19, 2011 he resigned from the Company.

On February 2, 2010 John Foulkes was appointed VP Corporate Development of the Company.

#### ***Financial Year Ended March 31, 2011***

On April 6, 2010, the Company commenced exploration and underground work on the El Oro Property. On May 20, 2010, the Company commenced surface exploration drilling on the El Oro Property and on June 22, 2010, commenced drilling from within the underground workings accessing the San Rafael vein on the El Oro Property.

On June 17, 2010, Andres Milla was appointed as an independent director of the Company.

On August 23, 2010, the Company announced the listing on the BVL of its Common Shares under the symbol “CDG”. Kallpa Securities was the Company’s BVL Sponsor.

On October 20, 2010, the Company executed an agreement (the “**Casua Agreement**”) with Minera Silex Peru S.R.L. (“**Minera Silex**”) whereby it acquired from Minera Silex a 100 hectare Casua claim (the “**Casua Claim**”) in the Puno District of Southern Peru. The Casua Claim is surrounded by the Company’s Tres Marias prospect. The consideration for the Casua Claim included the payment of US\$10,000 to Minera Silex on signing of the definitive agreement, the issuance of 30,000 Common Shares to Minera Silex on signing of the definitive agreement and the issuance of an additional 30,000 Common Shares to Minera Silex within 6 months of signing of the definitive agreement. The shares were issued on November 12, 2010 and May 2, 2011.

#### ***Financial Year Ended March 31, 2012***

On February 14, 2011, the Company notified and received acknowledgement from Goldcorp Mexico that the Company had fulfilled all requirements necessary to exercise the First Option and acquire an undivided 50% interest in the El Oro Property and that it had elected to earn an additional 20% interest in the El Oro Property.

On April 12, 2011, the Company closed a bought deal short form prospectus financing, including the overallotment option, underwritten by Stonecap Securities Inc., PI Financial Corp., and Wellington West Capital Markets Inc. originally announced on March 10, 2011. The Company issued 9,241,250 units at a price of CAD\$0.80 per unit and 51,250 warrants at a price of CAD\$0.60 per warrant for gross proceeds of CAD\$7,396,075. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant

entitling the holder to acquire one common share of the Company at a price of CAD\$1.10 for a period of 24 months from the closing date.

### ***Financial Year Ended March 31, 2013***

On May 1, 2012 the Company notified Goldcorp Mexico that the Company had fulfilled all requirements to exercise the Second Option to earn an additional 20% interest in the El Oro Gold Project, for a total of 70%, by spending an additional US\$5 million and issuing an additional 1,000,000 Common Shares in the capital of the Company. Goldcorp Mexico has a period of 90 days to advise Candente Gold of its decisions regarding the following options:

- In the Historic Mining Area (as defined in El Oro Agreement, Goldcorp Mexico had the right to: i) maintain its ownership at 30% by participating in future expenditures; or ii) dilute its ownership to a 6.5% NPI (Net Profit Interest); and
- In the Exploration Area: Goldcorp Mexico now had the right to: i) maintain its 30% interest by participating in future expenditures; ii) dilute to a 6.5% NPI or iii) earn-back 40% (to hold a 70% interest) by making exploration expenditures on the Exploration Area within the next four years that total 2.5 times the total amount of exploration expenditures made by Candente Gold in the Exploration Area.

On July 27, 2012 Goldcorp Mexico notified the Company of their election not to proceed with the Back-in Option and of their election to participate at their 30% right title and working interest.

On December 5, 2012, Dr. Kenneth G. Thomas was appointed as independent director of the Company.

### ***Subsequent to Financial Year Ended March 31, 2013***

On June 12, 2013, the Company signed an agreement with the municipality of El Oro that provides the Company with access and reprocessing rights to tailing deposits from historic mining. The first stage (Phase I) allows the Company a one year period to carry out the necessary test work to ascertain recoveries and potential economic viability of a tailings reclamation and reprocessing operation, for contributions of US\$25,000 upon signing the Agreement and monthly contributions of US\$3,000 starting 30 days after signing the Agreement. The contributions will be used to fund Social projects. If Candente Gold decides to enter into the processing and the reclamation phase (Phase II), then an 8% Net Profits Interest (“NPI”) will be paid to the municipality during the period of operation. If during any months of processing, there is no NPI due then a monthly contribution of US\$3,000 will be made.

## **SIGNIFICANT ACQUISITIONS**

Since, April 1, 2012, being the commencement of the Company’s last completed fiscal year, The Company has not entered into any significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”).

## **DESCRIPTION OF THE BUSINESS**

### **GENERAL**

The Company is a Canadian-based mineral resources exploration company and currently has interests in mineral exploration properties in Mexico and Peru. The Company’s principal asset is its undivided 70% interest in the El Oro Property in the States of Mexico and Michoacán, Mexico. The Company also has 100% interest each in additional early to mid-stage projects in Peru. See “Description of the Business – Mineral Exploration Projects – Peruvian Properties” below for information regarding these projects.

The Company is in the exploration stage and there is no assurance that commercially viable ore deposits exist in any of its properties until further exploration work is done and comprehensive economic evaluation based upon that work is concluded.

On June 28<sup>th</sup>, 2013, the Company filed an amended technical report on the El Oro Property titled "National Instrument 43-101 F1 Amended Technical Report on the El Oro Property, Mexico, which is compliant with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The Technical Report is dated effective June 1, 2013 and was prepared by Nadia M. Caira, P. Geo. "Qualified Person" as defined in NI-43-101. For a complete description of assumptions, qualifications and procedures associated with the information in the Technical Report, reference should be made to the full text of the Technical Report, which is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

See "Description of the Business – Mineral Exploration Projects – Mexican Property" below for information regarding the El Oro Property and the Technical Report.

## **SPECIALIZED SKILL AND KNOWLEDGE**

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning, geophysics, metallurgy and mineral processing, implementation of exploration programs and accounting. While recent increased activity in the resource mining industry has made it more difficult to locate competent employees and consultants in such fields, the Company has found that it can locate and retain such employees and consultants and believes it will continue to be able to do so.

Management is composed of a team of individuals who have extensive expertise in the mineral exploration industry and exploration finance. See the "Directors and Officers" section on this AIF.

## **COMPETITIVE CONDITIONS**

Competition in the mineral exploration industry is intense. The Company will compete with other mining exploration companies, many of which have greater financial resources and technical facilities for the acquisition and development of mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants.

All of the raw materials the Company requires to carry on its business are readily available through normal supply or business contracting channels in Canada, Peru and the United States. The Company has secured, or reasonably believes that it will be able to secure, personnel to conduct its contemplated programs.

## **BUSINESS CYCLES**

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. Historic highs in some metal prices was seen during the years 2003 to 2008 and again in 2010 to 2012, however more recently prices have dropped significantly. A continuing period of lower gold and silver prices could significantly affect the economic potential of the Company's Mexican and Peruvian properties and result in the Company determining to cease work on, or drop its interest in its Mexican and Peruvian properties.

## **ECONOMIC DEPENDENCE**

The Company's business is not substantially dependent on any contract such as a contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends. However, the Company is economically dependent on robust capital markets that have an effect on the Company's share price and thus its ability to raise the capital necessary to continue exploration on its project.

## **EMPLOYEES**

As of March 31, 2013, the Company and its subsidiaries had 1 employee who works directly for the Company as well as 3 employees in Canada who are shared with and employed directly by Candente Copper and 1 employee in Peru employed by Minera Candente Peru S.A., a subsidiary of Candente Copper. Candente Copper and Minera Candente S.A. billed the Company and its subsidiaries for the appropriate time provided by these shared employees. The Company and its subsidiaries had 5 contractors in Canada and 1 contractor in Peru. In Mexico, the Company's subsidiary Minera CCM had 4 employees and 1 contractor. The operations of the Company are managed by its

directors and officers. The Company relies to a large degree upon reputable consulting firms and contractors to carry on many of its activities and, in particular, to supervise and carry out the work programs on its mineral properties. However, should the Company expand its activities, it is likely that it will choose to hire additional employees.

## **BANKRUPTCY AND SIMILAR PROCEEDINGS**

There is no bankruptcy, receivership or similar proceedings against the Company, nor is the Company aware of any such pending or threatened proceedings. There have not been any voluntary bankruptcy, receivership or similar proceedings by the Company within since its incorporation or completed or currently proposed for the current financial year.

## **REORGANIZATIONS**

Other than the Arrangement between the Company, Canaco and Candente Copper described under the heading “General Development of the Business – Three Year History”, there have been no reorganizations of or involving the Company since its incorporation.

## **ENVIRONMENTAL PROTECTION**

The Company currently conducts exploration and development activities in Mexico and Peru. All phases of the Company’s operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company’s operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company is currently engaged in exploration with minimal environmental impact.

## **RISK FACTORS**

In addition to those risk factors discussed elsewhere in this AIF, the Company is subject to the following risk factors:

*Resource Exploration and Development is Generally a Speculative Business:* Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting both from the failure to discover mineral deposits and from finding mineral deposits which, though present, are insufficient in size and grade at the then prevailing market conditions to return a profit from production. The marketability of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

**At this point, there are no known reserves other than historic estimates for the El Oro Property which are not compliant with NI 43-101. The majority of exploration projects do not result in the discovery of commercially mineable deposits of ore. Substantial expenditures are required to establish ore reserves through drilling, metallurgical and other testing techniques, determination of metal content and metallurgical recovery processes to extract metal from the ore, and to construct, renovate or expand mining and processing facilities. No assurance can be given that any level of recovery of ore reserves will be realized or that any identified mineral deposit, even if it is established to contain an estimated resource, will ever qualify as a commercial mineable ore body which can be legally and economically exploited. Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.**

*Fluctuation of Commodity Prices:* Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the minerals produced. The Company's long-term viability and profitability depend, in large part, upon the market price of minerals which have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns and speculative activities and increased production due to improved mining and production methods. The recent price fluctuations in the price of all commodities for which the Company is presently exploring is an example of a situation over which the Company has no control and may materially adversely affect the Company in a manner that it may not be able to compensate for. The supply of and demand for minerals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals produced from the Company's properties will be such that any such deposits can be mined at a profit.

*Recent market events and conditions:* From 2007 into early 2010, the U.S. credit markets experienced serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions caused a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

While these conditions improved to certain extent during the period of 2010 to early 2012 albeit with continued volatility, unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These unprecedented disruptions could among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, the necessary risk capital to fund its exploration projects. The Company's access to this additional capital may not be available on terms acceptable to it or at all.

*General Economic Conditions:* The recent unprecedented events in global financial markets have had a profound impact on the global economy. Many industries, including the gold and base metal mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. Specifically:

- the global credit/liquidity crisis could impact the cost and availability of financing and the Company's overall liquidity
- the volatility of gold and other base metal prices may impact the Company's future revenues, profits and cash flow
- volatile energy prices, commodity and consumables prices and currency exchange rates may impact potential production costs
- the devaluation and volatility of global stock markets impact the valuation of the Common Shares, which may impact the Company's ability to raise funds through the issuance of Common Shares

These factors could have a material adverse effect on the Company's financial condition and results of operations.

*Share Price Volatility:* From 2008 on worldwide securities markets, particularly those in the United States and Canada have experienced and are experiencing a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, experienced unprecedented fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, in 2012 the share prices of junior natural resource companies have experienced declines in value and there had been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds forced many of such funds (including those holding the Company's securities) to sell such securities at any price. **As a consequence, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.** Therefore, there can be no assurance that significant fluctuations in the trading price of the Common Shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

*Permits and Licenses:* The operations of the Company will require licenses and permits from governmental authorities in Peru and Mexico. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits, or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in resource exploration may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations. Large increases in capital expenditures resulting from any of the above factors could force the Company to cease operations.

*Surface Rights and Access:* Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire; in most cases it does not thereby acquire any rights to, or ownership of, the surface of the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights through the courts can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in the applicable jurisdiction, the outcomes of which cannot be predicted with any certainty.

The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate. This is a particular problem in many areas of Peru, where blockades of access to mining properties, hostile actions by local communities and the potential inability of local governmental officials or police to assist a foreign company against its own citizens can result in the Company being unable to carry out any exploration activities despite being legally authorized to do so and having complied with all applicable local laws and requirements.

*Title Matters:* The acquisition of title to mineral properties in Mexico and Peru is a lengthy process. Title to, and the area of, mineral concessions may be disputed. While the Company has diligently investigated title to all mineral properties in which it has an interest and, to the best of its knowledge, title to all such properties is in good standing or, where not yet granted, the application process appears to be proceeding normally in all the circumstances, this should not be construed as a guarantee of title or that any such applications for concessions will be granted. Title to mineral properties may be affected by undetected defects such as indigenous peoples' land claims, or unregistered agreements or transfers. The Company has not obtained title opinions for several of its mineral properties.

*No Assurance of Profitability:* The Company has no history of production or earnings and due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. All of the Company's properties are in the exploration stage and the Company has not defined or delineated any proven or probable

reserves on any of its properties. None of the Company's properties are currently under development. Continued exploration of its existing properties and the future development of any properties found to be economically feasible, will require significant funds. The only present source of funds available to the Company is through the sale of its equity securities or the sale or optioning of a portion of its interest in its mineral properties, or by incurring debt. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. The Company has a deficit of US\$14.5 to March 31, 2013. Deficit means the amount of accumulated losses incurred by the Company since inception to March 31, 2013, and does not represent amounts due by the Company. The Company does not know if it will ever generate material revenue from mining operations or if it will ever achieve self-sustaining commercial mining operations. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

*Uninsured or Uninsurable Risks:* Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

*Government Regulation:* Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. The Company cannot predict whether or not such legislation, policies or controls, as presently in effect, will remain so, and any changes therein (for example, significant new royalties or taxes), which are completely outside the control of the Company, may materially adversely affect to ability of the Company to continue its planned business within any such jurisdictions.

*Political Risk in Mexico and Peru:* The Company has mineral properties located in Mexico and Peru. Peru in particular has a history of certain political instability and may be considered a country with potential political risk. Mexico may be considered a country with potential risk due to public safety risks and concerns. Mineral exploration and mining activities in both countries may be affected in varying degrees by political or economic instability, expropriation of property and changes in government regulations such as tax laws, business laws, environmental laws and mining laws. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may materially adversely affect its' business, or if significant enough, may make it impossible to continue to operate in Peru. Operations in both Mexico and Peru may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, expropriation of property, environmental legislation and mine safety. The Company does not have, nor does it plan to purchase, any type of political risk insurance. Additionally, these factors could pose serious potential problems associated with the Company's ability to raise additional capital which will be required to continue exploration activities.

*Social Climate in Mexico and Peru:* Social acceptance to operate during the various stages of a mining project is an integral part of operating such that lack thereof provides a very real risk during the exploration, exploitation and closure stages of mine development. In addition, the fact that the means and tools to manage social acceptance are not an exact science adds to the level of risk.

The Company has established Corporate Social Responsibility policies and programs that include:

- Regular communication with various members of the Community regarding their concerns and needs as well as our activities and objectives.
- Sustainable Development projects and alliances with International Non-Governmental Organizations ("NGOs") that are committed to improving the lives of families in under-developed regions.

The Company considers these initiatives as a foundation for building a positive and mutually beneficial long-term relationship with the various stakeholders in the project.

*Dependence Upon Others and Key Personnel:* The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability of the Company to enter into strategic alliances through a combination of one or more joint ventures, mergers or acquisition transactions; and (ii) the ability to attract and retain additional key personnel in exploration, mine development, sales, marketing, technical support and finance. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend. The Company has relied and may continue to rely, upon consultants and others for operating expertise. The Company also strongly depends on the business and technical expertise of its management and key personnel, particularly that of its CEO and President, Joanne Freeze and Vice President, Sean Waller. There is little possibility that this dependence will decrease in the near term. The Company maintains management agreements with each of the CEO and President and Vice President. The Company does not carry key person life insurance on any of the key members of its management. The loss of any of its management could have a negative effect on the Company's operations if qualified persons were not available to replace management lost.

*Exploration and Mining Risks:* Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

*Currency Fluctuations:* The Company's reporting currency is the U.S. dollars. Due to the nature of its operations in such countries, like Canada, Mexico and Peru, the Company maintains accounts in Canadian dollars, U.S. dollars, Mexican Pesos and Peruvian Nuevo Soles. The Company's operations and its proposed payment commitments and exploration expenditures under many of the agreements pursuant to which it holds, or has a right to acquire, an interest in its mineral properties, including the El Oro Agreement, are denominated in U.S. dollars, making it subject to foreign currency fluctuations. Such fluctuations are out of its control and may materially adversely affect the Company's financial position and results. The Company does not currently engage in any hedging programs with respect to currencies.

*Environmental Restrictions:* The activities of the Company are subject to international standards and environmental regulations promulgated by government agencies in Peru and Mexico from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

*Regulatory Requirements:* The activities of the Company are subject to extensive regulations governing various matters, including environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development of mines, production and post-closure reclamation, exports, price

controls, taxation, regulations concerning business dealings with indigenous peoples, labour standards on occupational health and safety, including mine safety, and historic and cultural preservation. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties, enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate those suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's properties.

*Estimates of Mineral Reserves and Resources and Production Risks:* The mineral resource estimates presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made only by independent geologists and engineers, and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the estimates published by the Company. Accordingly, there can be no assurance that:

- these estimates will be accurate;
- reserves, resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

Because the Company has not commenced production at any of its properties, and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have a material adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in reserves or resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time should not be interpreted as assurances of mine life or of the profitability of future operations. Estimated mineral resources and mineral reserves may have to be re-estimated based on changes in applicable commodity prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource or mineral reserve estimates. Market price fluctuations for gold, silver or base metals, increased production costs or reduced recovery rates or other factors may render any particular reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated reserves could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges.

**Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The failure to establish proven and probable reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.**

*Enforcement of Civil Liabilities:* As most of the assets of the Company are located outside of Canada, and certain of the directors and officers of the Company are resident outside of Canada, in the United States or Peru, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors or officers of the Company resident outside of Canada.

*Mining Industry is Intensely Competitive:* The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in efforts to hire experienced mining professionals. Competition for exploration resources at all levels is currently very intense, particularly affecting the availability of manpower, drill rigs and helicopters. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

#### **ASSET-BACKED SECURITIES**

The Company has never distributed or held any asset-backed securities.

#### **MINERAL EXPLORATION PROJECTS**

Following is a description of the Company's mineral properties in Mexico and Peru and its interest in such properties. Currently, the Company considers El Oro Property in Mexico as its material exploration project. As of March 31, 2013, a total of US\$10,267,191 has been spent by the Company, Candente Copper and Canaco, in exploration on the El Oro Project.

#### **EL ORO PROJECT, MEXICO**

The following information is summarized from the Technical Report dated June 27<sup>th</sup>, 2013 entitled "National Instrument 43-101 F1 Technical Report on Candente Gold Corp.'s El Oro Project in the Mexican states of Mexico and Michoacán" prepared by Nadia M. Caira, P.Geol., and filed on SEDAR at [www.sedar.com](http://www.sedar.com) on June 28<sup>th</sup>, 2013.

#### **PROJECT DESCRIPTION AND LOCATION**

The El Oro Property ("The Property") is located approximately 110 km west-northwest of Mexico City in the states of Mexico and Michoacán. The Property consists of 27 claim blocks totalling 17,959.0557 hectares (179.595 km<sup>2</sup>).



Figure 1: El Oro Property Location Map

On May 5, 2006, Candente Resource Corp. (now Candente Copper) and Canaco Resources Inc. (“**Canaco**”) entered into the 2006 Agreement to jointly acquire up to a 70% interest in the 67 square kilometre El Oro Property from Goldcorp Mexico, a 100% owned subsidiary of Goldcorp Inc. and Desarrollos Mineros, a wholly-owned subsidiary of Goldcorp Mexico.

The terms of the 2006 Agreement were as follows:

1. Minera CCM could earn a 50% interest by expending \$5,000,000 on exploration and by Canaco and Candente Copper each issuing 250,000 Common Shares over a three-year period; and
2. Minera CCM could earn an additional 20% interest by expending an additional \$5,000,000 (\$10,000,000 total for 70% total interest) on exploration and development over an additional two years;
3. Desarrollos Mineros retained the right to earn-back in to a 70% interest by spending \$25,000,000 within four years on additional exploration and development; and
4. Desarrollos Mineros has the right to participate in future equity financings by each company, up to the greater of:
  - (i) their current percentage interest held in each company or
  - (ii) 10% of the financing.

On February 2, 2009, Candente Copper, Minera CCM, Canaco, Goldcorp Mexico and Desarrollos Mineros agreed to one-year extensions to all option payments (the “**Amendments**”) set out in the 2006 Agreement and to modify the right to earn-back in to a 70% interest such that it would only apply to the Historic Mining Area.

In consideration for the Amendments, each of Candente Copper and Canaco:

1. Committed to issue to Goldcorp Mexico on or before November 30, 2009 the 125,000 Common Shares in their share capital as provided for in the 2006 Agreement, whether or not Minera CCM continued to make the option payments called for in the 2006 Agreement; and
2. Agreed to add a requirement for the issuance by each of Candente Copper and Canaco of an additional 125,000 Common Shares in their share capital on or before November 30, 2010 as a term for the exercise of the first option provided for in the 2006 Agreement.

On April 14, 2009, Candente Copper and Canaco agreed to transfer its respective 50% interest in the El Oro Property to the Company. In addition, Candente Copper agreed to transfer its Peruvian gold-silver properties to the Company.

As consideration for the transfer of the El Oro Interests, the Company issued 5 million Common Shares and a promissory note, payable in cash or convertible into Common Shares of the Company, to each of Candente Copper and Canaco. Each promissory note had a principal amount of \$1.3 million.

On February 14, 2011, the Company delivered notice to Goldcorp Mexico that it has fulfilled all requirements necessary to exercise the First Option to earn an initial 50% interest in the El Oro Property. Goldcorp Mexico has subsequently acknowledged and confirmed that the Company has satisfied the requirements to exercise the First Option.

On May 1, 2012, the Company delivered notice to Goldcorp Mexico that it has fulfilled all requirements necessary to exercise the Second Option to earn an additional 20% interest in the El Oro Property. Goldcorp Mexico has a period of 90 days to advise Candente Gold of its decisions regarding the following options:

1. In the Historic Mining Area, as defined in the El Oro Agreement, Goldcorp Mexico now has the right to: i) stay at 30% by participating in future expenditures; or ii) dilute to a 6.5% NPI (Net Profit Interest); and
2. In the Exploration Area: Goldcorp Mexico now has the right to: i) stay at a 30% interest by participating in future expenditures; ii) dilute to a 6.5% NPI or iii) earn-back 40% (to hold a 70% interest) by making exploration expenditures on the Exploration Area within the next four years that total 2.5 times the total amount of exploration expenditures made by Candente Gold in the Exploration Area.

Table 1: Goldcorp-Luismin Land Rights, El Oro Property Claim Holdings

Mining Developments San Luis, S.A. de C.V.									
Goldcorp-Luismin Land Rights for the El Oro Project as Paid in Pesos January 2012									
No.	CLAIM NAME	FILE NO.	TITLE NO.	TERM		Hectares	Municipality	Mx, State	SUM(Pesos)
				From (year)	To (year)				01-Jan-12
1	El Carmen	054/04825	156873	10/05/1972	09/05/2022	84.0000	El Oro	Mex.	10,478
2	Resurgimiento	009/00279	177586	01/04/1986	31/03/2036	412.7565	Tlalpujahuá	Mich.	51,487
3	Cortaduras	009/00304	179074	17/11/1986	16/11/2036	182.0056	Tlalpujahuá	Mich.	22,703
4	Los Reyes	321.1/9-305	179519	10/12/1986	09/12/2036	499.3463	Tlalpujahuá	Mich.	62,288
5	Frac. II Dos Estrellas 77	321.1/6-133	191267	19/12/1991	18/12/2041	380.3055	El Oro y Tlalpujahuá	Mex.-Mich.	47,439
6	Frac. I Dos Estrellas 77	321.1/6-132	191268	19/12/1991	18/12/2016	330.3153	El Oro	Mex.	41,204
7	Dos Estrellas 77	321.1/6-131	191269	19/12/1991	18/12/2041	478.3939	El Oro y Tlalpujahuá	Mex.-Mich.	59,675
8	El Oro III	6/1.3/00417	215271	14/02/2002	13/02/2052	36.0000	Tlalpujahuá	Mich.	4,491
9	El Oro VIII Fracc. A	6/1.3/00418	215302	14/02/2002	13/02/2052	24.1920	Tlalpujahuá	Mich.	3,018
10	El Oro V	6/1.3/00421	215303	14/02/2002	13/02/2052	59.9117	Tlalpujahuá	Mich.	7,473
11	El Oro IV	6/1.3/00420	215329	14/02/2002	13/02/2052	77.9797	Tlalpujahuá	Mich.	9,727
12	El Oro X	5/1.3/00523	215533	28/02/2002	27/02/2052	62.4890	El Oro	Mex.	7,795
13	El Oro I Frac. A	5/1.3/00525	215534	28/02/2002	27/02/2052	155.3469	El Oro	Mex.	19,378
14	El Oro VI	5/1.3/00526	215535	28/02/2002	27/02/2052	115.8852	El Oro	Mex.	14,456
15	El Oro I	6/1.3/00527	215536	28/02/2002	27/02/2052	1,846.8273	El Oro y Tlalpujahuá	Mex.-Mich.	230,373
16	El Oro IX	5/1.3/00528	215537	28/02/2002	27/02/2052	439.6603	El Oro y Tlalpujahuá	Mex.-Mich.	54,843
17	El Oro VIII	6/1.3/00419	216708	17/05/2002	16/05/2052	416.8080	Tlalpujahuá	Mich.	51,993
18	El Oro II	6/1.3/00422	216935	05/06/2002	04/06/2052	734.7005	Tlalpujahuá	Mich.	91,647
19	El Oro VII	5/1.3/00524	217504	16/07/2002	15/07/2052	203.1999	El Oro	Mex.	25,347
20	El Oro XII	104/00105	219142	14/02/2003	13/02/2053	8,278.4633	El Oro y Tlalpujahuá	Mex.-Mich.	586,777
21	El Oro XIII	054/07439	219719	03/04/2003	02/04/2053	8.5056	Tlalpujahuá	Mich.	603
22	El Oro XI (Unif)	6/5/00018	221779	19/03/2004	17/09/2052	43.7478	Tlalpujahuá	Mich.	3,101
23	La Nueva Descubridora	5-1-00803	226074	16/11/2005	15/11/2055	79.2594	El Oro	Mex.	2,810
24	El Oro XIV Fracc. A	054/08566	239006	15/11/2011	14/11/2061	2,981.1786	Maravatio, Tlalpujahuá y El Oro	Mich. y Mex	16,993
25	El Oro XIV Fracc. B	054/08566	239007	15/11/2011	14/11/2061	4.6344	Maravatio, Tlalpujahuá y El Oro	Mich. y Mex	26
26	El Oro XIV Fracc. C	054/08566	239008	15/11/2011	14/11/2061	21.2646	Maravatio, Tlalpujahuá y El Oro	Mich. y Mex	121
27	El Oro XIV Fracc. D	054/08566	239009	15/11/2011	14/11/2061	2.3728	Maravatio, Tlalpujahuá y El Oro	Mich. y Mex	14
<b>TOTAL SURFACE (Has.):</b>						<b>17,959.5501</b>	<b>TOTAL FEE:</b>		<b>1,426,260</b>

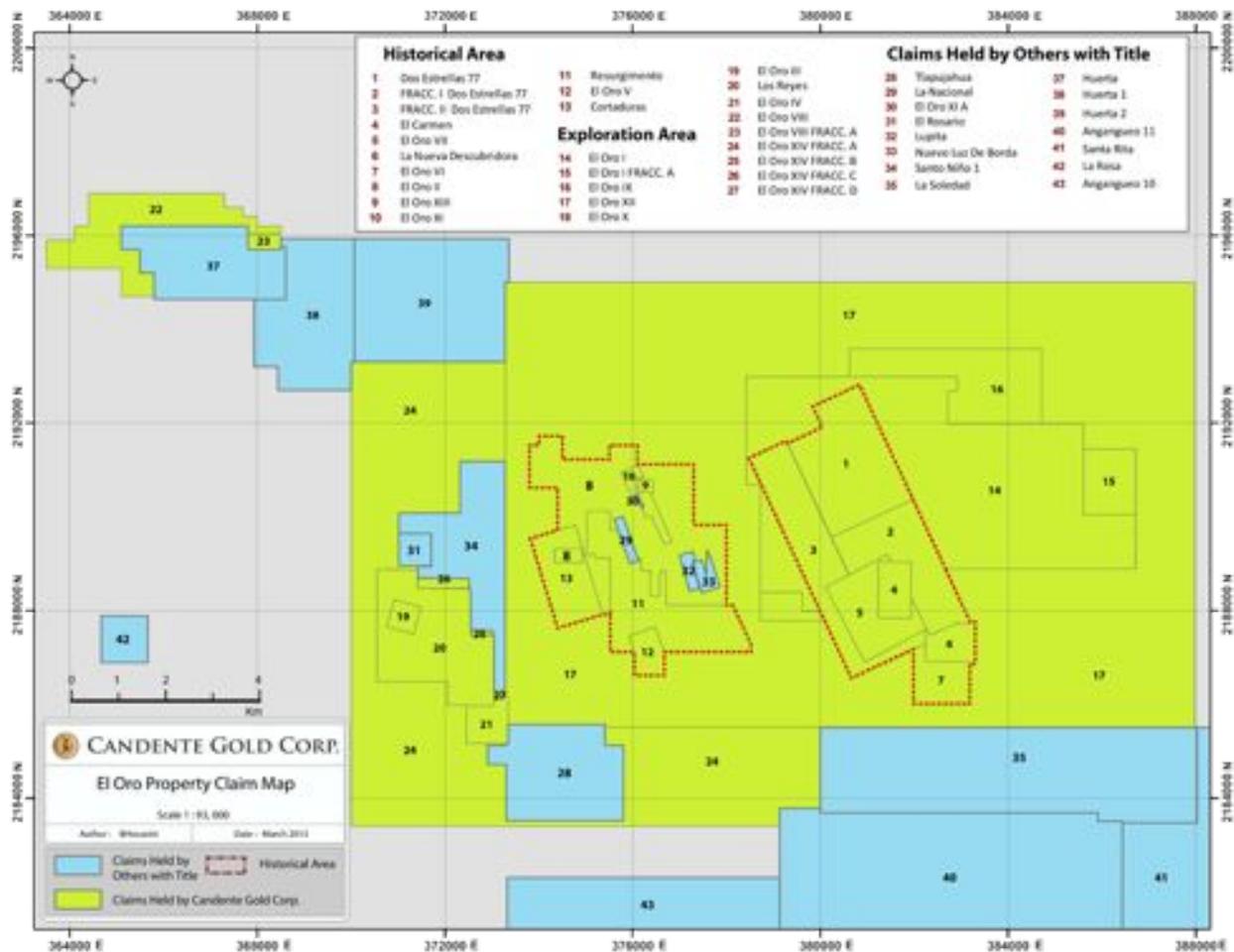


Figure 2: Distribution of Claim Holdings (source: <http://www.cartografia.economia.gob.mx/cartografia/>)

### ROYALTIES AND OTHER PAYMENTS

Goldcorp Mexico holds 100% right, title, and interest in and to the existing concessions (Figure 2) subject to the following royalties in respect of all concessions except the “El Oro XI”, “El Oro XII” and “El Oro XIII” concessions which do not have any royalties:

- as to the El Carmen, Resurgimiento, Cortaduras, Los Reyes, La Nueva Descubridora, Frac. I Dos Estrellas 77, Frac II Dos Estrellas 77, Dos Estrellas 77, El Oro I, El Oro I Frac. A, El Oro II, El Oro III, El Oro IV, El Oro V, El Oro VI, El Oro VII, El Oro VIII, El Oro VIII Frac. A, El Oro IX and El Oro X concessions a 3% net smelter return royalty (“NSR”) payable to Corporación Turística Desarrollos, S.A. de C.V. The before mentioned royalty is capped at, and in no event shall exceed, an aggregate amount of US \$5,000,000.
- as to El Oro I, El Oro I Frac. A., El Oro II, El Oro III, El Oro IV, El Oro V, El Oro VI, El Oro VII, El Oro VIII, El Oro VIII Frac. A, El Oro IX and El Oro X concessions, a 3% NSR payable to Servicio Geológico Mexicano (SGM).
- as to El Oro XII, El Oro XIII, El Oro XI (unif). These mining concessions do not have any royalties payable to third parties.
- As to new claims El Oro XIV Fracc. A, El Oro XIV Fracc. B, El Oro XIV Fracc. C and El Oro XIV Fracc.D. These mining concessions do not have royalties payable to third parties.

## ***ENVIRONMENTAL LIABILITIES***

Neither the authors of the Technical Report nor the Company knows of any environmental liabilities related to the El Oro Property. Due to minimal surface disturbance caused by the Company exploration programs there was no requirement to file any environmental assessment reports or to obtain additional permits, under the current law (NORMA - 120), although the Company has contracted environmental consultants to prepare environmental assessment reports covering the exploration drilling programs in the states of Mexico and Michoacán.

A separate Environmental Impact Assessment (“EIA”) was recently (May 2011) granted for the North Portal where underground work is expected to commence later this year and although only in exploration phase, this work requires 'patios' for the transfer and storage of underground material.

The El Oro district has been mined for many years since the Spanish first discovered the outcropping veins in the Tlalpujahua area in 1529. There are historic waste dumps and tailings and other pre-existing environmental impacts on the property. In the El Oro Agreement with Goldcorp Mexico, no environmental liabilities have been disclosed to the Company, and the Company is not aware of any environmental liabilities related to the El Oro Property. In 2002, Placer Dome Ltd. (“Placer”) completed an environmental review that stated that there were no liabilities at that time.

Under Mexican environmental law, all historic work (mines/tailings/waste dumps, etc.) performed prior to 1988 is exempt and not the responsibility of the current concession holder. Candente Copper and Canaco obtained the Option in 2006 and transferred it into Minera CCM. In April of 2009, the Company purchased Minera CCM from Candente Copper and Canaco.

Neither Minera CCM nor the Company have performed any mining activities that have included extraction and/or processing of ores or other material or storage of waste material from mining activities on the El Oro Property. The Company and Minera CCM are not aware of any mining activities by others (other than exploration activities) on the El Oro Property since 1988. There is currently a private individual that intermittently mines one of the internal licences, not held by Minera CCM, on the Borda Vein in Tlalpujahua.

## ***LOCATION OF MINERALIZED ZONES, MINE WORKINGS AND TAILINGS***

The El Oro Property is located within the El Oro and Tlalpujahua mining districts. The most productive part of the two districts occupies an east-northeast structural corridor that measures 6.5 km from east to west and 4.0 km north to south. The districts collectively host 57 known veins with at least 20 precious metal veins with past production. The majority of the more recent historic gold and silver production came from two principal veins: the Veta San Rafael (located in the State of Mexico) and the Veta Verde (located in the State of Michoacán). Company personnel have located many historic shafts and adits in the field, many of which are inaccessible at this time. A significant number of the underground mine records from 100's of km of workings including grade level plans and sections were data captured and digitized.

In the El Oro District, the San Rafael and Verde veins as well as 18 other known veins are located blind beneath a post mineral volcanic cover ranging in thickness from 75 to 450 meters. The Tlalpujahua district silver-rich veins to the west are exposed at surface and were historically exploited by open pit methods. The surface facilities of the historic workings are limited to a number of vertical access shafts and adits within the town limits of El Oro and Tlalpujahua.

Tailings deposits from past production are present on the surface and can be found in several locations on the El Oro Property. Under a June 12<sup>th</sup>, 2013 signed agreement with the Municipality of Hidalgo, Mexico the Company has the access and re-processing rights to tailing deposits located in the Municipality of Hidalgo, El Oro, Mexico

## **PERMITTING**

All claim maintenance and property payments are completed by Goldcorp Mexico. The Company is responsible for all environmental, municipal and state approvals for the exploration activity being conducted by the Company.

The exploration work being conducted at the El Oro Property, including drilling from surface and drilling from existing underground workings falls under the protocols of Norma-120-SEMARNAT-1997 (“**Norma-120**”) regulations, the Company is currently in compliance with Norma-120.

As required by Norma-120, the Company has developed the Bitácora de Complimientos (one for Mexico State and one for Michoacán State). The Bitácora de Complimientos outlines “how” the Company is developing its exploration activities and how these activities will remain in accordance with Norma-120. These documents are not filed with SEMARNAT and no additional documents are required to remain in compliance with Norma-120.

At the North portal exploration site, activities will include the development of a new underground tunnel. This activity falls outside of the Norma-120 and therefore an environmental permit and an explosive permit are required. In May of 2011, The Company was granted all the required environmental permits for this work to commence.

The Company was previously issued the “Movimiento de Tierras” on July 14, 2010 by the municipal government for the earth that was moved when building the patio and road at North Portal.

### ***PROPERTY TAXES, INVESTMENT FEES AND WORK REPORTING REQUIREMENTS***

Property tax instalments are due on January 31 and June 30 in each calendar year. According to the agreement between the Luismin Group and Candente Gold Corp, the Luismin Group is responsible for the payment of the property taxes biannually to the appropriate authorities.

In accordance with Article 27 of the Mexican Mining Law, the holders of mining concessions must conduct yearly minimum exploration and/or exploitation work on their mining concessions. The value of the work completed (total expenditures) is contributed to the required investment or expenditure in exploration and /or exploitation work on a yearly basis if a mining concession jointly comprises more than one thousand hectares (>1000 hectares). The work must be reported to the applicable Mexican authorities no later than March 31 each calendar year.

### ***SURFACE RIGHTS***

Surface rights within the El Oro mineral concessions are held by private owners and communities (Ejidos). For the 2010 and 2011 exploration programs, the Company obtained permission from the individual property owners as well as representatives of Ejidos to access and conduct exploration activity on their land. Compensation for road construction and drilling was also agreed upon.

In the 1970’s Goldcorp Mexico purchased the surface rights to 12 hectares over an area within the Cortaduras target area, an area of interest lying in the western portion of the El Oro Property in the Tlalpujahua Mining District.

### ***ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY***

The El Oro Property is located approximately 110 km west-northwest of Mexico City and 80 km northwest of Toluca (Figure 3). The property has excellent road access and can be reached by paved highway from the Mexico City International Airport in 3-4 hours by car.

The town of El Oro is located in the eastern part of the property. The second biggest town in this concession is Tlalpujahua located in the central part of the property. The town of El Oro has a population of approximately 50,000 people and has one university and a hospital. The closest airport is located in Toluca, approximately 2.5 hour drive by car. Gas, food, and basic camp supplies can be purchased locally in El Oro. Larger towns include Atlacomulco which is 45 minutes away by car. El Oro has a power line, several hotels, restaurants, internet access and cellular phone coverage.

The elevations in the El Oro Property area range from approximately 2,200 m to almost 3,000 m. The landscape consists of rolling hills. Vegetation in the area is comprised mainly of cedar and oak forests and less commonly pine.

There are two main seasonal climate changes in the region. During the winter months from November to January, the climate is cooler with occasional snow accumulation. The rainy season is typically from July to August. Access

to water can be limited and is easier to secure during the rainy season, however the main creeks can provide a year-round water supply. The best time for field exploration activities is during the dry season which lasts from November to May.

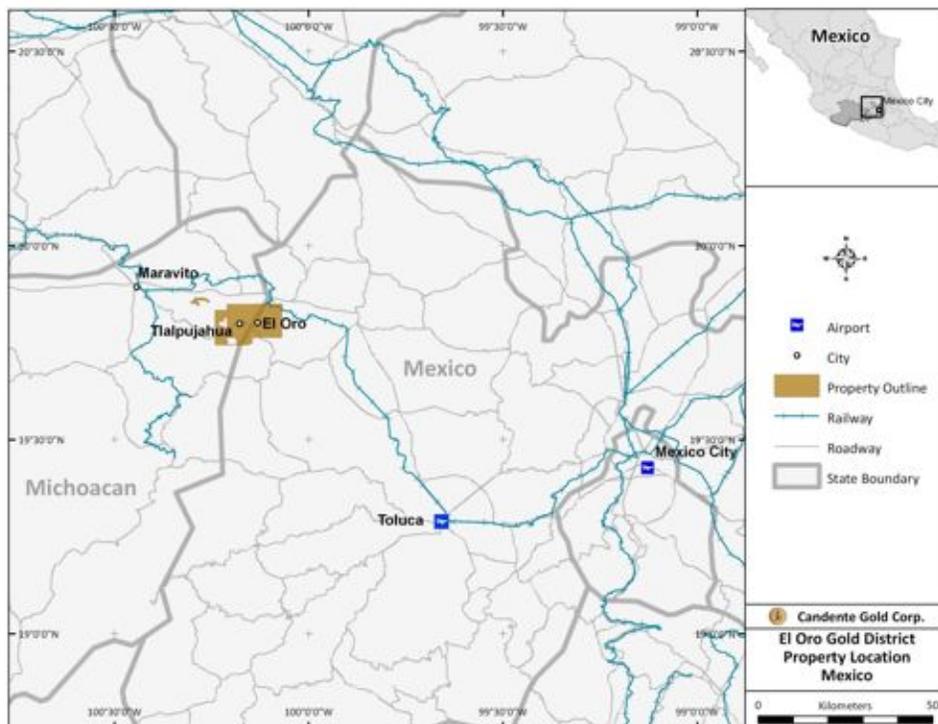


Figure 3: Location and access to the El Oro and Tlalpujahua Mining Districts

## HISTORY

The El Oro Mines have collectively been described as some of the most significant high-grade, gold-silver producers in the history of Mexican mining, with past production of approximately eight million gold equivalent ounces from the San Rafael and Verde veins alone. Historic production from the Borda and Coronas veins is poorly documented although estimates have indicated historic production from the Spanish era of \$200 million pesos and \$36 million pesos for the period from 1743 to 1751. The veins on the El Oro Property have been worked since the Spanish first discovered them in 1529 and more recently in the late 1700's (Coronas and Borda vein systems). The height of the mining activity began in 1896 and in a span of 33 years, four companies mined predominantly the San Rafael and Verde veins producing in excess of 17.5 million tonnes of ore grading 11.9 g/t gold and 121.0 g/t silver (6.4 million ounces gold and 74.0 million ounces silver).

Evidence of past production in the form 100's of kilometers of underground workings, dump sites, pits, shafts and adits are evidence of both formal and informal historic production on the property. In total, there are 115 known shafts varying in depths between 250-575 meters, and 44 adits of varying lengths. Only 3 of the 115 shafts were accessible in the 1950's including: Tiro San Patricio (429 m depth), Tiro Somera (568 m depth) and the Tiro Providencia access shaft (400 m depth) that accesses the San Juan Adit level and below.

*The El Oro Mining District* had not been discovered until the end of the 18<sup>th</sup> century. It was not until 1900 that the district attained greatness. The area was undiscovered due to an extensive post mineral volcanic cap that covered the blind gold-silver veins. An isolated structural window, in the furthest eastern end of the district near the Descubridora mine, exposes on surface the underlying gold and silver vein mineralization in Cretaceous shales beneath the andesite cap. This outcrop and the Descubridora vein were the first to be discovered in the area. Unlike the Tlalpujahua ore to the west, the El Oro ore was of medium grade, relatively deep, chiefly of gold and poorly adapted to the Patio Process. The Patio Process was developed in 1557 for the extraction of silver from ore with

poor gold recoveries resulting in the bulk of the predominantly gold El Oro ore being deemed as unprofitable due to poor recoveries.

*The Tlalpujahua Mining District* was one of the more important silver districts that began exploitation soon after the Spanish conquest ended in 1521. The Tlalpujahua ore was known for its rich, outcropping and chiefly silver ore that was perfectly adapted to the Patio Process for ore treatment with excellent recoveries. The various deposits were easy to find and easy to mine with abundant high grade ore at surface mined via open pits. The western Tlalpujahua Mining District includes 30 of the 57 known veins on the property. The accessible surface facilities of the historic workings are limited to a small number of access shafts and adits within the town limits of Tlalpujahua.

A detailed history of the El Oro and Tlalpujahua Mining Districts is described below:

Circa 1500's: Evidence for pre-Hispanic mining from near surface high grade veins via open pit methods.

1557: Development of the Patio Process in Hidalgo Mexico for isolating and recovering silver from ore; ore was crushed by arrastras reducing it to a mud then it was spread over the patio and sprinkled with mercury, salt and copper sulphate; the silver dissolved in the mercury; was agitated; the silver-mercury amalgam was heated to drive off mercury leaving silver. This method resulted in high recoveries for silver and poor recoveries for gold.

Late 1600's: the Coronas vein, named after the cow-herder discoverer "Coronas", was worked in open pits and shallow adits for a distance along a one mile strike length. The general region was historically known for vein deposits that were easy to find, and comparatively easy to mine with abundant high grades that existed at or close to the surface with easy recovery via the Patio Process of beneficiation.

Circa 1700's: Development of pumps and explosives for use in mining allowing access to deeper mining on exposed veins including the Borda and Coronas Veins.

1743 to 1801: the second mining period was dominated by a Frenchman named "Borde" (usually called Borda) who discovered the Borda Vein and mined for a period of 8 years and took out bullion believed to be worth 36,000,000 pesos (Locke, 1913). Borda sunk four shafts to depths of between 525 feet (160m) and 550 feet (167m), within a distance along the vein of 1500 feet (457m).

1801: After Borda left for Taxco in 1801 the Tlalpujahua Mining District was intermittently active for the next 50 years.

1810-1821: The War of Independence.

1818: The mines were abandoned in 1818 during the war of independence.

1824: At the end of the war in 1821 an English Colony was established at El Oro and countless head frames were erected.

1825: By 1825 approximately 80 "mines" were in operation. The area however, had been robbed by local skillful miners and any higher grades remaining outside of pillars were gone and the 1825 mining venture failed.

Year 1890: Discovery of several major blind veins under the post mineral volcanic cover starting with the intercept of San Rafael vein in the San Juan crosscut.

Year 1902: Discovery of the Veta Verde (Green Vein) vein under the post-mineral volcanic cover by the Dos Estrellas crosscut.

1825-1913: Tlalpujahua district remained dormant.

Years 1896 to 1925: Three main companies including: El Oro Gold Mining & Railway Company; Esperanza Mining and Mexican Mining were at the height of mining on the San Rafael Vein during this time period. The Veta Verde (Green vein) was held and mined by Las Dos Estrellas en El Oro and the Tlalpujahua Mining Company.

1913: Cia. Minera Las Dos Estrellas acquired control of Borda Antigua and conducted an extensive exploration program. The challenges faced were water difficulties hence the mines were abandoned in ore; material left was of too low grade to be of interest at this time; ore was missed beyond faults along the strike extensions of the veins outside known bonanzas; and in veins and veinlets in the nearby wall rock of the Borda and the Coronas veins.

1913 Locke: suggested that the superficial bonanzas of the main veins have not been exhausted and that medium grade ore was left below the horizons of known bonanzas. He also noted that the underground workings solely followed high grades; and were lacking crosscuts; and that when a fault was encountered it stopped all knowledge of the vein trace and hence workings.

Years 1925 to 1937: In 1925, all of the mines and properties were acquired by Las Dos Estrellas. Higher grade backfill, pillars and intermediate veins were mined at this time. A new crushing and processing plant was built to process this ore. In 1937, poor economic conditions coupled with the tragic failure of the main tailings impoundment facility forced Las Dos Estrellas to close its operations.

Years 1937 to 1960: Mining laws dictated that Dos Estrellas turn the mines over to the mine workers as debt payment from the 1937 disaster. La Cooperativa Las Dos Estrellas en el Oro y Tlalpujahua (“The Cooperative”) was formed and continued operating the mines predominantly as a salvage operation with the mining of backfill and exploitation of in-situ higher grade pillars. The Cooperative was administered and subsidized by a commission of the Mexican government that eventually proved uneconomic and resulted in the closure of the mines in 1959.

Years 1969 to 1971: Two exploration holes were drilled by More Mines Limited (Figure 4). One hole was drilled south of Buen Despacho and was designed to intersect the San Rafael Vein, and the. The second hole was drilled along the main road connecting the towns of El Oro and Tlalpujahua and intended to test the Veta Verde vein. Both holes were lost before reaching the target depth and the company left the El Oro area (*Harquail J. 1971, 1972, Seraphim 1971*).

Years 1977 to 1992: In 1977 the mineral rights over the El Oro veins were opened and a private company, MMM, acquired the exploration rights to the El Oro property. In 1980, Luismin acquired a majority interest in the property from MMM.

Years 1983 to 1992: Luismin drilled 33 holes with the main objective to confirm remaining in situ and backfill mineral resources. The Pomoca area was tested with 12 holes, one hole tested the San Francisco de Reyes Zone, three holes tested the Zapateros target area, one hole tested the Lillie Vein, 10 holes tested the Cortaduras Target area, three holes tested the Oriente Target area, and three holes tested the San Rafael Vein.

Year 1993: Minera Hillsborough drilled 8 diamond drill holes in the San Rafael vein with the objective to verify the Luismin resource estimate. In addition, 4 diamond drill holes were completed to test the San Francisco de Los Reyes zone.

Year 1995: Minera Santa Fe drilled 15 reverse circulation holes (RC) north of San Francisco de Los Reyes. There are no collar locations, geological or geochemical information available for these holes.

Years 1996 to 1997: Teck completed IP resistivity and chargeability surveys along the northern extension of the Veta Verde and San Rafael veins and east of the San Rafael vein (Oriente south area). A total of 13 holes were drilled: 3 holes in the Cortaduras area, 6 holes in the northern extension of the Veta Verde vein, and 4 holes in the Oriente south area.

Years 2002 to 2004: Placer completed a geochemical survey in the Oriente area and took measurements of gas vapors (CO<sub>2</sub>). Three of the geochemical targets were drilled. One diamond drill hole (“DDH”) and one reverse circulation (“RC”) drill hole tested the down dip extensions of the Corona vein, 4 DDH holes tested the San Rafael and the north extension of the Descubridora vein in the Buen Despacho area, and one hole was drilled in the Oriente area. The Placer exploration program for the San Rafael vein consisted of digitizing all the 2700 assay level plans from El Oro Mining and creating a grade model using Vulcan software. The modeling process defined four main higher grade ore shoots over a 1 km section of the San Rafael vein. A four hole diamond drill program tested the down dip potential of the defined ore shoots at the bottom of (but not below) the historic workings.

Year 2004: Luismin became a 100% subsidiary of Goldcorp Inc.

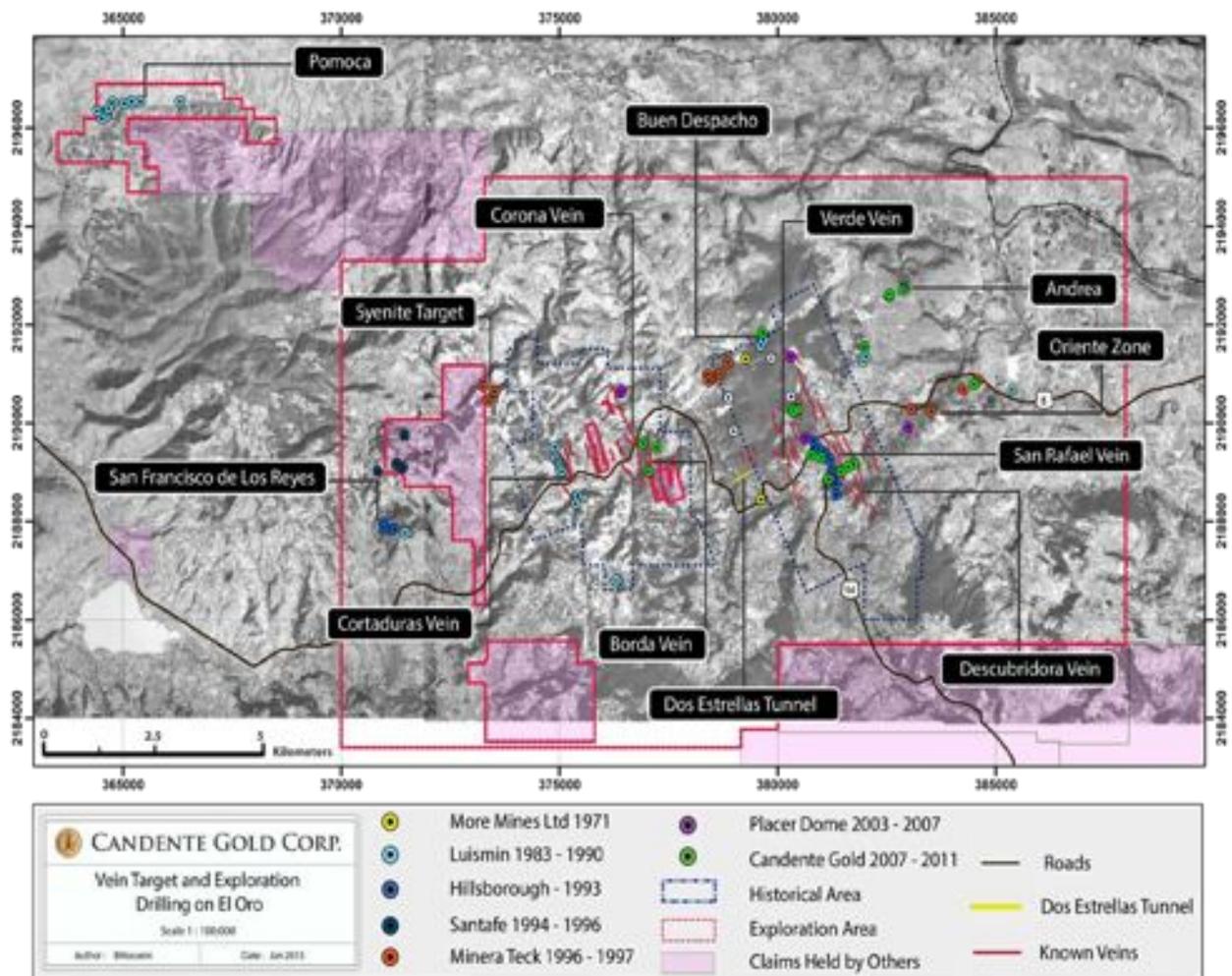


Figure 4: Distribution of the historic drilling on the El Oro Property

## Historic Production

### **Production History at the El Oro Mining District (1920-1926)**

The following discussion was modified after a summary report on the Historic Production El Oro Mining Districts by Norman E. Dausinger, Jr in 1979 (Dausinger, 1979).

Table's 2 through 6 are production summaries from the Copper and Mines Handbook from the Years 1920-1926. During these more productive years in this area, the El Oro Mining & Railway Co., Ltd. operated on the southern part of the San Rafael vein; Esperanza Ltd. mined the central portion of the San Rafael vein; and Mexico Mines of El Oro Ltd. (Figure 5) worked on the northern extension of the San Rafael vein.

Cia Minera “Las Dos Estrellas” S.A.’s operations were confined to Veta Verde (also called the Dos Estrellas vein), the second most mineralized structure in the El Oro district.

The tables below suggest that production from the San Rafael Vein was nearly 10,000,000 tons of ore and production from the Verde Vein was nearly 7,000,000 tons from the years 1920-1926.

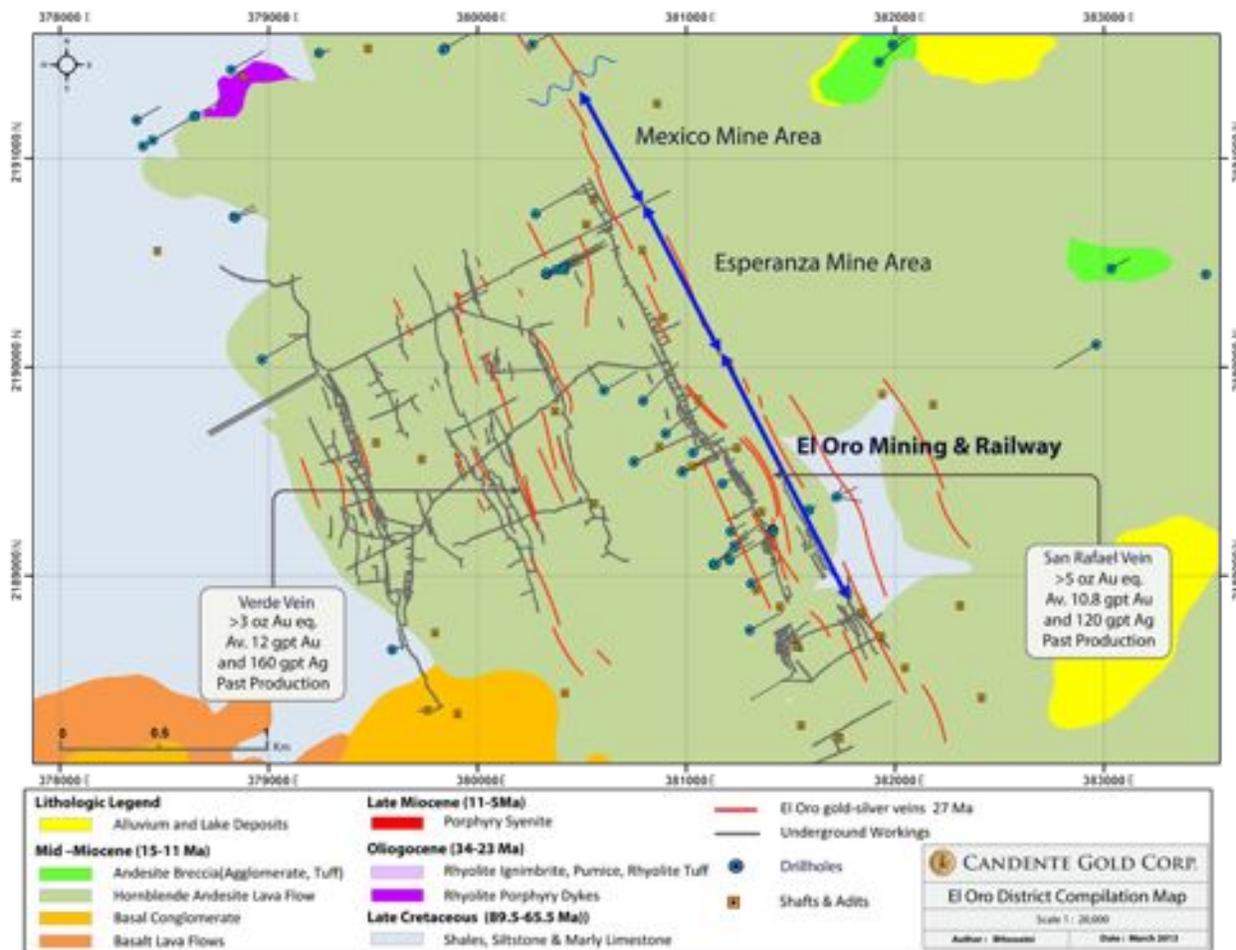


Figure 5: El Oro District Historic Mines, underground workings and drill holes

### El Oro Mining & Railway and Esperanza Mines

The ore mined by El Oro Mining & Railway and Esperanza Mines were similar in grade, ranging between 0.30 to 0.387 ounce gold per ton/EQ. Silver grades ranged from 1.5 to 3.0 ounces silver per ton (42.52 to 85.05 g/t Ag).

Table 2 below depicts the total known production from the El Oro Mining & Railway. The values/Ton are presented in \$USD value during the Years 1920-1927 using the 1915 Mines Handbook precious metal prices for gold of USD \$20.0/oz Au and price of silver of \$USD \$0.55/oz Ag).

Table 2: El Oro Mining and Railway Co. Production Summary (1909-1925)

<b>El Oro Mining and Railway Co. (source: Mines Handbook 1920-1927)</b>				
Historic properties: San Antonio, San Rafael, Trianon, Diamante, Ofir and Carmen No. 2 Claims				
Orebodies varied in width from 10 to 60 feet (3.05 to 18.9 meters)				
<b>Year</b>	<b>Tons(milled)</b>	<b>Value/Ton</b>	<b>oz. Au/Ton EQ</b>	<b>Reserves-Tons</b>
1909	285,181	\$8.56	0.414	
1910	316,138	\$8.10	0.269	
1911	360,294	\$6.63	0.321	
1912	387,157	\$5.57	0.269	301,934
				(Total value \$9.26/ton)
1913	433,708	5.04	0.244	448,053
				(\$8.11 Au and 3 oz Ag)
1914				
1915	Idle			
1916				
1917				
1918	30000 tons/m			
1919	308,665	\$8.07	0.39	333,135
1920	368,538	\$8.77	0.424	293,779
1921	383,043	\$7.63	0.369	282,124
				(\$7.96 Au and 2.1 oz Ag)
1922	401,840	\$5.48	0.265	339,687
				(\$5.23 Au and 1.73 oz Ag)
1923	399,820	\$4.88	0.236	330,000
				(\$4.44 Au and 1.69 oz Ag)
1924	447,060	\$4.20	0.203	
1925	447,290	\$4.04	0.195	
<b>TOTAL</b>	<b>4,558,739</b>	<b>Av. Grade</b>	<b>0.30</b>	

Table 3 below depicts the total known production of 2,089,827 tons at an average grade of 0.387 ounces gold per ton/EQ from the Esperanza Ltd. Mine (“Esperanza”) from 1911 to 1921. The recoveries reported in 1918 from Esperanza were 86.4% gold and 68.3% silver. Through 1918, total output was \$78,003 (Mexican Gold Currency) from 2,826,041 tons of ore. Total production through 1921 was 3,525,864 tons of ore. In 1922, a new mill was installed to mine 1,000,000 tons of low grade ores and stope fills. This project proved to be uneconomic given the price of gold and silver during this time.

On the 10<sup>th</sup> of a total of 15 mine levels in the Esperanza Mine a total of 9 veins were defined during the underground sample control program. One of the highest grade veins was located in the hanging wall of the main San Rafael vein and was called differing names depending on the location along strike. On the northern vein segment, the vein was called the Sulfuros Vein (“Sulphide Vein”); in the central and south vein segments it was called the San Carlos Vein. The vein was narrow (8-20cm); very high in total sulphide (5-8% pyrite); and was extremely gold-rich often paying for mining for several months. The footwall in the central mine area was the sub-horizontal pre-mineral andesite sill. The sill occurred in both the footwall and the hanging wall side of the San Rafael vein, at differing levels. There are at least 3 stacked andesite sills that were interpreted to be easterly in strike similar to the subvolcanic bodies at the Verde and Borda veins to the west where numerous andesite sills have been mapped on surface.

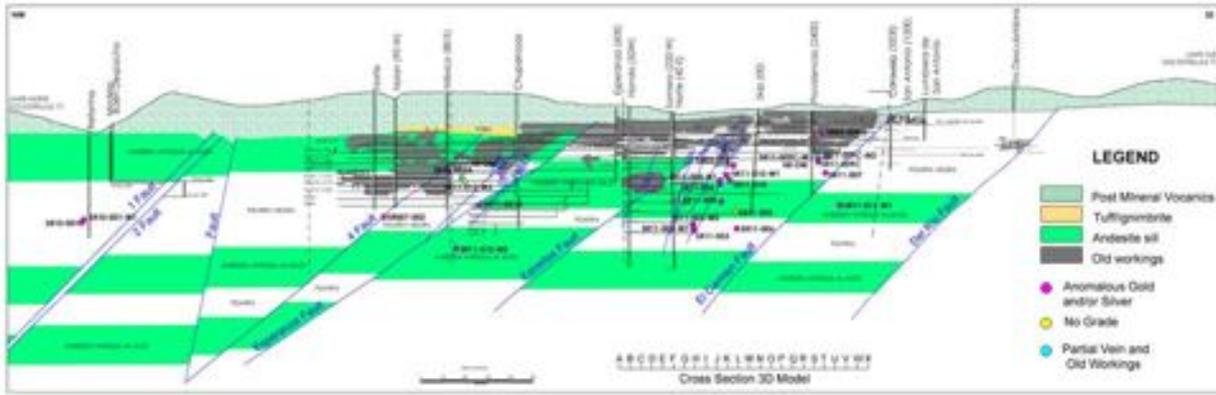


Figure 6: Schematic long section along the trace of the San Rafael vein showing andesite sills in green

At least 5 major low angle faults bisect the mine areas including: the easterly Esperanza Fault (locally splays at upper levels into a series of smaller faults due to its reverse and dextral movement); the Estrellas Fault; the El Carmen Fault and the Del Rio Fault in the south. The easterly Esperanza Fault dips moderately to the north that terminates the pre-mineral andesite sill in the south on the same level (Figure 6). A series of four sub-vertical high angle faults bisect the San Rafael vein segment and the earlier Estrellas fault. Some of the better grades in the Esperanza Mine were from the Sulfuros Vein, near the northern boundary with the Mexico Mine, where a vein segment measures several hundred meters and has easterly trending mining widths of between 50-150 feet (15-46 meters).

Table 3: Esperanza Mine Ltd. Production Summary (1911-1921)

<b>Esperanza Ltd. (source: Mines Handbook 1920-1927)</b>				
Historic property names: San Rafael, Esperanza, San Carlos, Descubridora (bonanza silver grades)				
Orebodies varied from 2 to 100 feet (0.61 to 30.5 m) in width; currently owned by Luismin/JV Candente				
Year	Tons Milled	Value/Ton \$	oz. Au/Ton EQ	Reserves-Tons
1911	272,235	6.17	0.299	
1912	229,076	7.31	0.354	
1913	207,281			
1914	143,670	8.21	0.397	
1915	22,684			156,000
1916	113,921	6.67	0.323	111,723
1917	200,548	10.00	0.484	65,368
1918	200,589	9.88	0.478	35,131
1919	308,665	8.07	0.39	333,135
1920	273,120			
1921	159,445			
<b>TOTAL</b>	<b>2,089,827</b>	<b>Avg. Grade</b>	<b>0.39 (12.05 g/t)</b>	

Table 4 below depicts total production of 1,522,606 tons of ore from the Mexico Mine. The Mexico Mines operation on the northern part of the San Rafael vein was a more selective mining operation with ore grades averaging 0.521 ounce gold (14.2 g/t Au) and 8.0 ounces silver per ton (226.8 g/t Ag).

Table 4: Mexico Mines El Oro Ltd. Production Summary (1907-1924)

<b>Mexico Mines El Oro Ltd. (source: Mines Handbook 1920-1927)</b>				
Historic Properties: Mexico, Nolan, Amistad Mines (currently owned by Luismin/JV Candente)				
<b>Year</b>	<b>Tons Milled</b>	<b>Value/Ton</b>	<b>oz. Au/Ton EQ</b>	<b>Reserves-Tons(metric tons)</b>
1907-08	62,394	\$12.90	0.624	
1908-09	101,105	\$12.40	0.600	
1909-10	136,372	\$10.20	0.493	
1910-11	136,408	\$11.20	0.542	
1911-12	142,884	\$10.80	0.522	
1912-13	158,395	\$10.50	0.508	
1913-14	idle			
1914-15	30,825			505,300
				(\$10.4 Au and 6.4 oz Ag)
1915-16	84,030			457,100
				(\$11.89 Au and 8.0 oz Ag)
1917-18	121,793			416,200
1918-19	130,665			379,000
1920	138,710	\$10.34	0.500	350,100
		7.0 oz Ag		(\$10.02 Au, 8.82 oz Ag)
1921	125,185	\$11.39 Au	0.551	311,430
		7.8 oz Ag		(\$11.23 Au and 9.83 oz Ag)
1922	153,840	\$9.06 Au	0.438	274,655
		(6.7 oz Ag)		(\$10.97 Au and 10.06 oz Ag)
1923				292,655
				(\$10.90 Au and 10.18 oz Ag)
1924				255,723
				(\$10.60 Au and 9.39 oz Ag)
<b>TOTAL</b>	<b>1,522,606</b>	<b>Avg. Grade</b>	<b>0.521(16.2 g/t)</b>	

**Cia Minera Los Dos Estrellas, S.A.**

The main vein worked at Dos Estrellas in the west of the El Oro District was the Veta Verde with an average width of 12.0 meters. Total production from 1916 to the end of 1923 was 6,350,847 metric tons. The reserves reported in 1923 were 5 g/t gold and 115 g/t silver, grades that were considered to be marginal, yielding a profit at that time of \$0.40 per tonne. Eventually the Cia Minera Los Dos Estrellas, S.A. Company merged with El Oro Mining & Railway Co, Esperanza Ltd., and Mexico Mines of El Oro Ltd.

Table 5 below depicts production during 1916 to 1924 where the ore was milled by Dos Estrellas from the Verde vein averaging 0.715 ounces gold per ton or 22.25 g/t Au.

Table 5: Cia Minera Las Dos Estrellas Production Summary (1916-1924)

<b>Cia Minera Las Dos Estrellas (source: Mines Handbook 1920-1927)</b>				
Historic Properties: Mexico, Nolan, Amistad Mines (currently owned by Luismin/JV Candente)				
<b>Year</b>	<b>Tons Milled</b>	<b>Value/Ton</b>	<b>oz. Au/Ton EQ</b>	<b>Reserves-Tons (metric)</b>
1916	164,610	\$14.65	0.709	807,079
1917	266,658	\$18.44	0.892	297,384
1918	344,859	\$22.38	1.083	820,819
1919	366,820	\$21.00	1.016	1,004,211
1920	361,878	\$17.73	0.858	829,199
1921	413,016	\$13.07	0.632	730,705
1921	413,016	\$13.07	0.632	730,705
1922	477,172	\$12.02	0.582	991,092
1923	531,559	\$10.77	0.521	1,234,651
1924	521,488	\$9.50	0.46	1,446,231
<b>TOTAL</b>	<b>3,447,060</b>		<b>0.715 oz Au (22.2 g/t)</b>	

The compilation in Table 6 covers a 17 month period at Dos Estrellas totalling 48,866 metric tons (tonnes) of stope-fill. Cooperativa Minera Las Dos Estrellas”, Appendix B, during July 1958 through November 1959. Assuming that there was no selective extraction from the San Rafael stope fills which seems unlikely, the compilation suggests that the grade of the stope fills could approach 5 grams gold and 54 grams Ag per metric ton (tonne).

Table 6: Cooperativa Minera Las Dos Estrellas Production History (July 1958-November 1959)

<b>Company</b>	<b>Mineral Extracted (1907-1925) TM (metric tons)</b>	<b>Avg Au (g/t)</b>	<b>Production</b>
El Oro Mining	4,550.73	9.34	42,578,575.56
Esperanza	1,160.04	12.05	13,978,469.95
Mexico Mines	1,155.29	16.2	18,715,746.80
<b>TOTAL</b>	<b>6,866.07</b>	<b>10.95</b>	<b>75,272,792.11</b>
Source: Copper and Mines Handbook 1920-1927			

### Historic Exploration Target Review

#### **El Oro District Exploration Targets**

The El Oro district ores were buried and blind veins covered by post mineral andesite ranging tin thickness from 75 to 350 meters and were high grade gold-dominated ore poorly adapted to treatment by the patio process and hence the bulk of the ores proved to be unprofitable until cyanide treatment was adapted.

Some of the more important producers (Figure 7) from the San Rafael vein in the early 1900’s, were from three well known historic mining companies including: Mina El Oro Mining and RCL (“El Oro Mine”), Mina Esperanza (“Esperanza Mine”) and Mina Mexico (“Mexico Mine”) and from the Verde lode in the Dos Estrellas mine. In addition, smaller but productive veins included the San Patricio vein (also called the Somera Vein) which lies 609.6m (2000 feet) west of San Rafael, and the Descubridora vein which lies 304.8m (1000 feet) to the east of San Rafael vein .

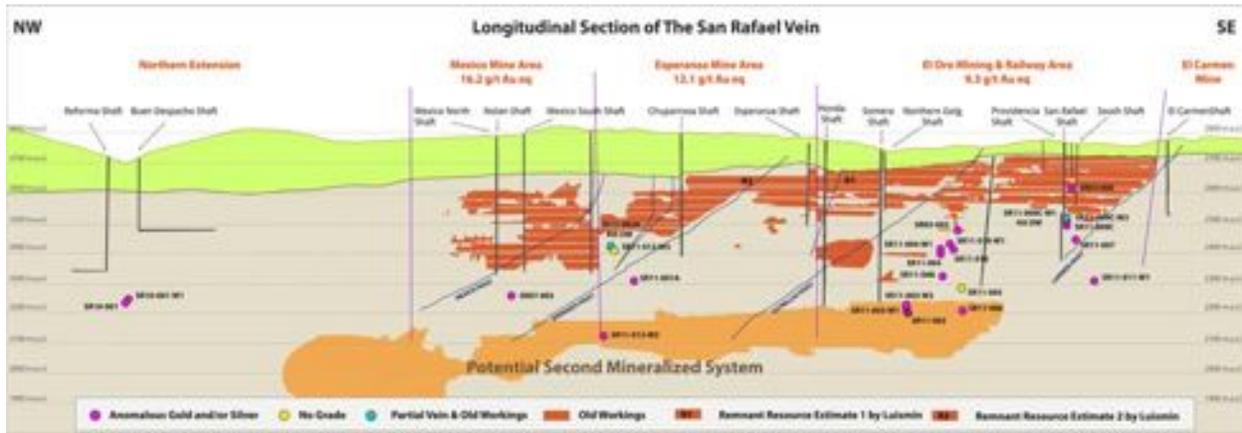


Figure 7: Schematic long section showing distribution of the 3 mines along the San Rafael vein system

Evidence of past production in the form of 100's of kilometers of underground workings, dump sites, pits, shafts and adits are evidence of historic informal production on the property. In total there are 115 known shafts varying in depths of between 250 to 575 meters, and 44 adits of varying lengths. To the author's knowledge only 3 of the 115 shafts were accessible in the 1950's including: Tiro San Patricio (429 m deep), Tiro Somera (568 m deep) and the Tiro Providencia (400 m deep) access shaft that accesses the San Juan Adit level and below.

To the west of the Verde vein and to the east of the San Rafael veins there are independent veins with a steep westerly dips. In 1912, production was worth USD\$10.0 million from chiefly the San Rafael vein at El Oro Mining & Railway, Esperanza and Mexico Mines as well as from the Verde lode at Dos Estrellas.

The first veins discovered were the Descubridora and Mondragones veins, which encouraged the miners to search for more veins near to surface under the post mineral andesite cover which resulted in the 1899 discovery of the San Rafael vein under 200 meters of andesite cover. The San Rafael and Descubridora veins had been worked as the most interesting for beneficiation with enormous quantities of the minerals removed by a treatment by amalgam followed by the 1907 installation of a cyanide circuit. A summary of historic production from the San Rafael vein can be found above.

According to Flores 1920, the San Rafael vein was developed along a 3.3 kilometer strike length in more than 80 kilometers of development. The mining of the San Rafael vein was continually hindered by water problems due to a perched water table below the post mineral andesite cap and was mined with the square set method of stoping to mine the abundant soft, friable wider stopes. The more important mine/ access shafts from north to south were Mexico, Nolan, El Oro, Providencia, El Carmen and Sirio. The El Carmen Mine was exploited over 7 levels to a depth of close to 300 meters. The vein is split into two 5 meter wide veins that are 66 meters apart. To the north the vein merges back into a single large vein of 15 meters in width, strikes N30W and dips moderately at 65 to the SW.

#### *San Rafael Vein at the El Oro Mining & Railway Mine*

The main San Rafael, San Patricio No. 1 and No. 2 and Somera veins at the El Oro MiniAg & Railway Mine have been exploited from the apex at the San Antonio Mine to a depth of 633 meters by 14 levels including: San Antonio, San Rafael, San Juan, 86 foot, 186 foot, 286 foot, 386 foot, 486 foot, 550 foot, 650 foot, 786 foot, 1000 foot, 1150 foot and 1600 foot.

The main San Rafael vein dips steeply west and was uniquely oxidized to the bottom of the mine workings (Locke 1913); varies in width from 10-40m (30 to 125 feet); has sulphidic gold-rich branches (Sulfurous Vein) that are steeper, narrower that lie in the hanging wall (west wall) between 70 to 122 meters (230 to 400 feet) from the main San Rafael vein.

The San Patricio vein in the hanging wall of the San Rafael graded 16 g/t Au. The Somera 1, 2 and 3 veins were found by heading west from San Patricio as follows: Somera No. 1 was 25 meters west; Somera No. 2 was 0.40 meters grading 29.0 g/t Au located 500 meters west and the Somera No. 3 vein was 1.5 meters in width located 515 meters to the west. In the Providencia shaft, the veins were much narrower to 0.90 meters, graded 15 g/t Au and were developed to a depth of 300 meters.

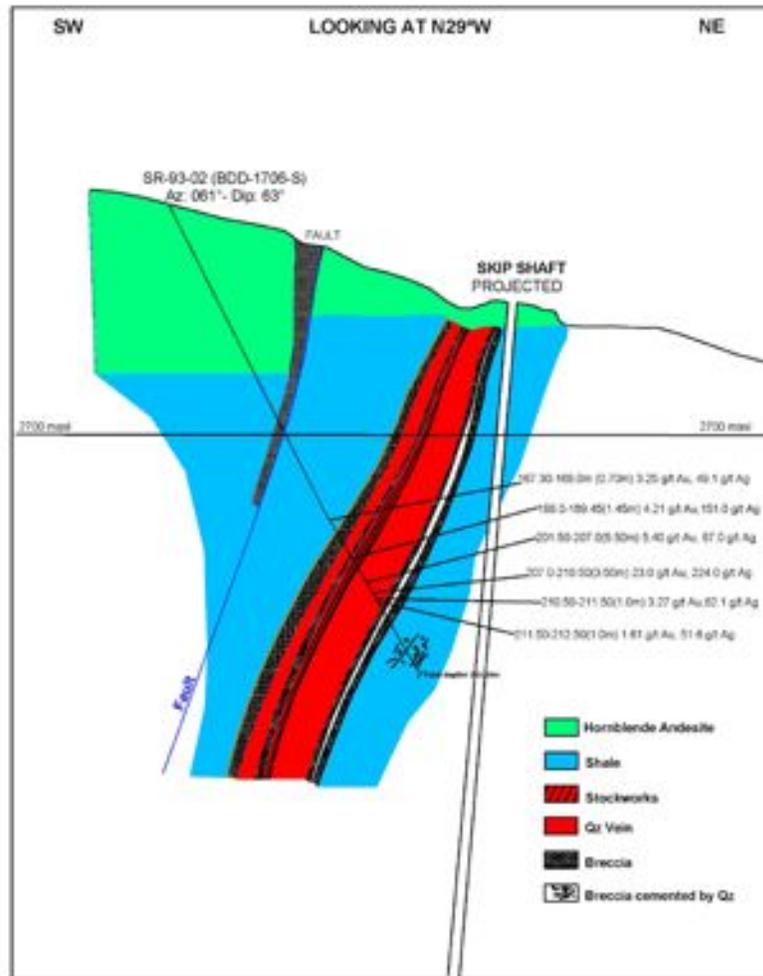


Figure 8: San Rafael El Oro Mining & Railway Mine remnant mineralization (Drill hole SR-93-02)

### *San Rafael Vein at the Esperanza Mine*

The San Rafael vein was the widest and richest in the Esperanza Mine (Figure 9) with a vein/vein breccia thickness of a maximum of 70 meters with the best ore along the hanging wall and footwall of a much wider less mineralized vein. The mine had 17 one hundred foot spaced levels (except for Levels 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> that were 75 feet). The lowest level in the mine was Level 15 which reached a depth of 564 meters. The pre-mineral andesite sills in this mine are 60 to 100 meters in thickness. At 108 meters depth the San Rafael was the highest grade due to a vein split/horsetail structural scenario. At 150 meters into the foot wall of the San Rafael the Descubridora vein was intersected. The high grade Poniente vein was found 95 meters horizontally to the west in the hanging-wall of the San Rafael. Heading west on Level 3 for 170 meters a major, a major N75 E trending soft and friable fault was cut that was 20 meters wide with a 32 meter horizontal offset to the NE.

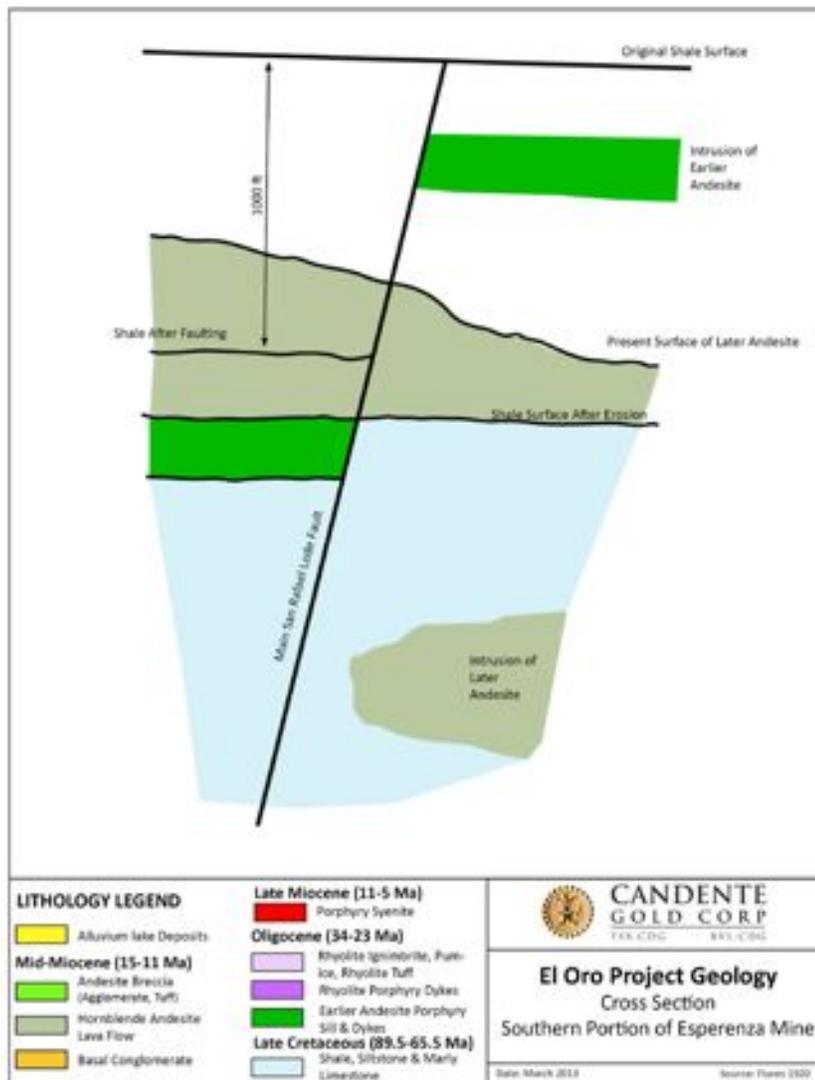


Figure 9: San Rafael Esperanza Mine geology

### *San Rafael Vein at the Mexico Mine*

The northern strike extent of the San Rafael was explored and exploited by the Mexico and Nolan Mines. The better grades started at the Level 4 in the Mexico shaft producing average grades of 19 g/t Au and 240 g/t Ag. The vein width varied from 4 to 21 meters in width; trended N30W and dipped 60° to the SW and is crosscut in its hanging-wall by the 5 meter wide Poniente vein that graded 80 g/t Au and 800 g/t Ag in this location. The vein grades decreased down to the 8<sup>th</sup> level to 30 g/t Au and 140 g/t Ag. The Mexico Mine, in general, was higher in silver than the mines to the south. The San Rafael vein in this mine trends N25E and dips to the SW with a variable dip of between 55 to 66°; with an average width of 21 meters and was mined to a depth of 513 meters in the Nolan Mine.

The vein was described during an underground visit by Wisser in the 1920's as a quartz-cemented breccia comprised of altered wall rock shale fragments, earlier breccia fragments and earlier banded and mineralized vein material in parallel vein walls comprised of crustiform-colloform banded and locally bladed quartz after calcite hydrothermal cement. Locally, the quartz breccia has crustiform banding around the outer rims of the fragments as well as in coarse drusy quartz filled cavities. Adularia is locally present. According to early miners, the axis of the mineralized bodies that were mined historically were sub-horizontal within the shale, just above the upper contact with the andesite porphyry sill in the San Rafael vein footwall. There was a resuming of syn-mineralization faulting and the development of numerous feather tension veins and branches that were developed at acute angles to the main San Rafael vein in the hanging wall contributing to the great mining widths at certain elevations.

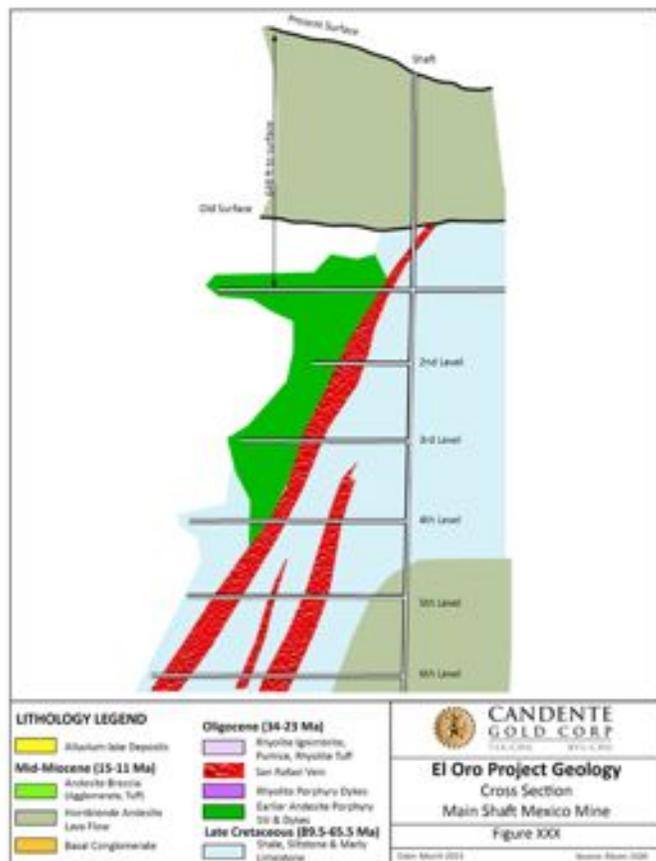


Figure 10: San Rafael Vein in the Mexico Mine

The San Rafael vein is wider in the shale just above the andesite sill in the footwall shales and in the hanging-wall shales just above the andesite sill (Figure 10). During uplift and lateral extension, the competent sill cracked into a few master parallel veins including Descubridora, Calera and Chihuahua Veins in the hanging wall of the San Rafael main vein. The less competent shale slipped and stretched into minute tight fractures. The best area of structural preparation was along the contact between the incompetent shale and the competent andesite porphyry sills where extensive feather or tensional joints were formed in the hanging wall of the main vein near to the Esperanza Fault.

#### *The Descubridora Vein*

The Descubridora vein was the first vein to be worked in the El Oro district. The original gold ore at Descubridora was found in 1787 by a group of prospectors. They first initiated work on the vein followed by work on the Mondragones Vein between Calera and Chihuahua veins. In the year 1847 the Descubridora Mine sold their properties to other English miners named “Company of Restorative Miners of El Oro” rehabilitated 10 shafts in the area for future exploitation and set up a finance company for beneficiation by the patio process with at least 150 arrastras.

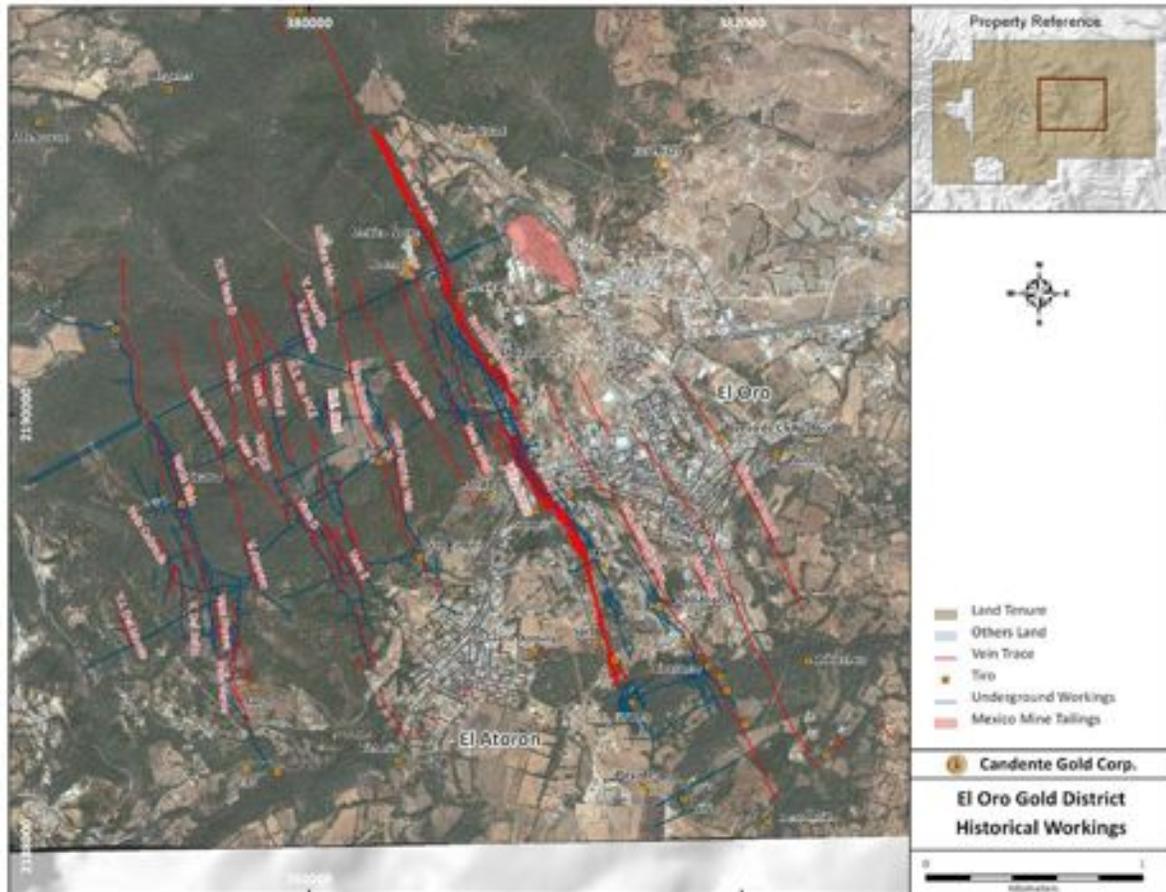
The Descubridora vein lies 150 meters to the east of the San Rafael (Figure 12); has an average strike of NW-SE and varies in dip between 45 and 80 degrees to the west with a width ranging between 0.30 meters on Level 30 to a maximum of 2.25 meters in Tiro Providencia. The vein is sub-parallel and in the footwall of the San Rafael vein and is silver rich with bonanza grades over narrow widths reaching >5300 g/t Ag. The vein matrix is heterogeneous and is comprised of milky well defined quartz while in other places the matrix is quartz-calcite and has abundant earthy clay. In general, when the vein is dominated by quartz, the gold and silver values are lower and when dominated by calcite the veins are rich in gold and silver. Locally the vein is dominated by fault gouge clays where the gold grades decrease.

Table 7: A summary of Descubridora mine grades and widths

<b>Block No.</b>	<b>Reserves Description</b>	<b>Width (m)</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>
1	Block below Descubridora veins in opposite N.N. Level 50	0.8	1.0	75
2	Descubridora vein P. 5N. Ten meters below Level 50	1.6	24.0	2785
3	Descubridora shaft 1N two meters below Level 50	0.7	5.0	389
4	Descubridora, an alcove opposite South, 2.5m below Level 50	0.9	6.0	1228
5	Descubridora, an alcove in north ventilation shaft of Level 60	1.2	46.0	2174
6	Footwall veinlet below Descubridora, ceiling of Level 60	0.4	36.0	5366
7	Descubridora vein in Plan 1.S. of Level 60	0.4	16.0	2584
8	Descubridora opposite North Level 30, when start filling	0.7	0.5	36
9	Descubridora Level -30 ventilation shaft N.I.	0.4	2.0	416
10	Descubridora Level 30 cruise west	0.3	1.5	47
11	Descubridora Level Jorge de El Oro Mining opposite south	0.3	1.0	45

A detailed vein target distribution within the El Oro District can be found in Figure 11 below. The image displays the town of El Oro relative to the veins and the Mexico Mine Tailings location in the northern part of the town of El Oro just east of the shaft called Mexico Sur.

Figure 11: The El Oro District vein targets



The Descubridora mineralization is comprised of native gold and silver and as inclusions in the matrix with multiple sulphides including: pyrite, argentiferous galena, argentite, stephanite, pyrargyrite, proustite that are irregularly distributed. The vein thickness varies from irregular to simple in highly variable structures with a maximum thickness of 20-50cm, clearly defined in variably sized bands and where the veins are narrow, the mining was difficult.

The areas of precious metal enrichment at Descubridora occurred in weathered, sulphide-rich voids in proximity to cross faults and larger silica breccias and were rare along the actual banded contact of the veins with the shale wall rock. The north workings totalled 175 meters in strike where the vein varied in thickness from 0.20 to 0.30 with mineable widths to as high as 1.60 meters. The south workings were marginally developed along 36.0 meters length with development limited by bad ground due to faults.

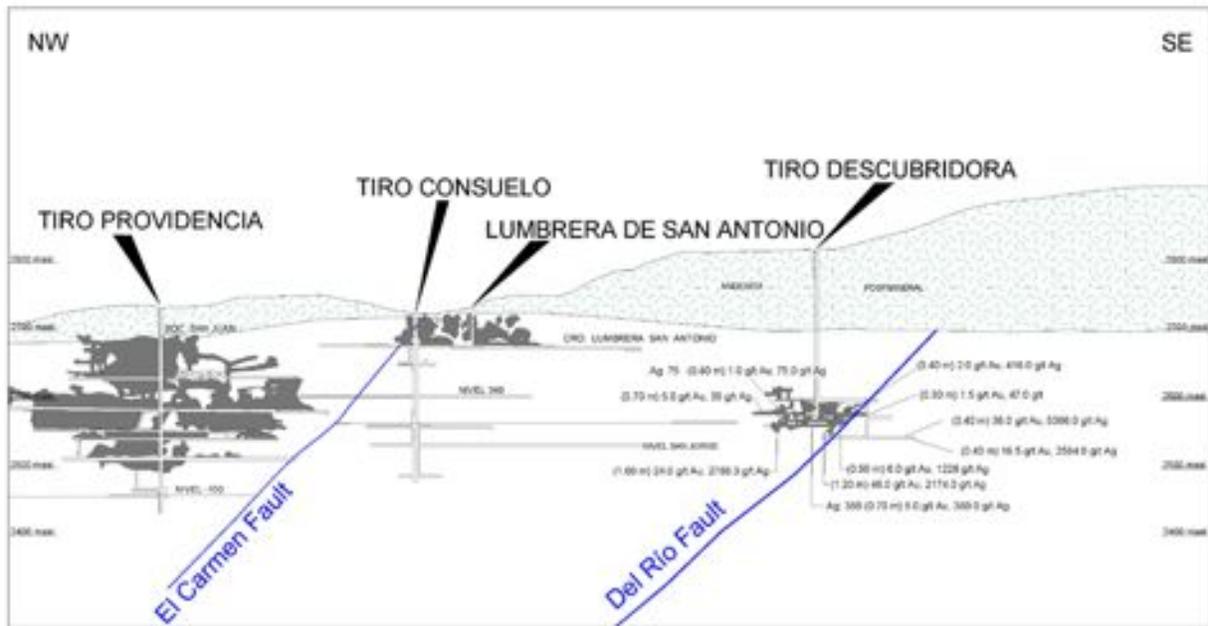


Figure 12: Descubridora Mine and El Oro Mines & Railway

#### *The Calera Vein*

The Calera Vein trends between 320-300 azimuth and dips between 60 and 70 to the southwest with a thickness of between 0.50-0.70 meters. The matrix of the vein is quartz with clays especially near the surface. The mineralization is native gold and silver with multiple types of mixed sulphides.

#### *The Mondragones Vein*

This vein runs at an average of 360 azimuth with a strike length of 75 meters and an average width of 0.20-0.50 meters; the best mineralization was found at surface in a weathered zone where the post mineral andesite cap had been destroyed by erosion and supergene weathering and enrichment had occurred.

#### *The Chihuahua Vein*

The Chihuahua vein trends an average direction of N30W and has a dip of 60 degrees to the SW and a variable thickness of between 0.60 to 2.0 meters in a host rock of shales and metamorphosed andesite sills. The quartz is compact, crystalline, and milky with cellular limonite after sulphides. The mineralization is native gold and silver with multiple sulphides distributed as inclusions and, similar to Mondragones vein, the better grades were where the vein was exposed at surface where weathered.

#### *The Sirio Vein*

The Sirio vein was found adjacent to the Descubridora vein. The Esperanza Mining Company produced a vertical shaft situated between San Rafael and the vein in the hanging-wall. This access shaft was collared in bad ground where the workings headed east and west and cut the veins in bad ground conditions. The last reference point was the lower andesite layer (sill) between 90-110 meters depth.

*The Negra Vein*

The Negra vein was strongly sulphidic (5-7% pyrite); in the hanging wall of the San Rafael vein ; was narrow and extremely gold rich; and bisected by a series of NNE to ENE cross faults that cut the NW trending vein. The historic research suggested a series of very large stopes on the Negra vein, some of them larger than 30 meters in width between the Negra and San Rafael vein.

All of these veins lie within lenticular, stacked and imbricated structures. . For example a series of lenses are bound between one or more thin faulted shale seams.

*Buen Despacho-North San Rafael Vein*

The Buen Despacho target lies at the furthest northern strike extent of the San Rafael vein system. The area is covered by andesite breccia cap overlying andesite porphyry volcanics. The quartz vein follows the western fault boundary of a N30W vein fault that is bisected by N75E cross faults that have sinistrally offset the quartz vein (Figure 13).

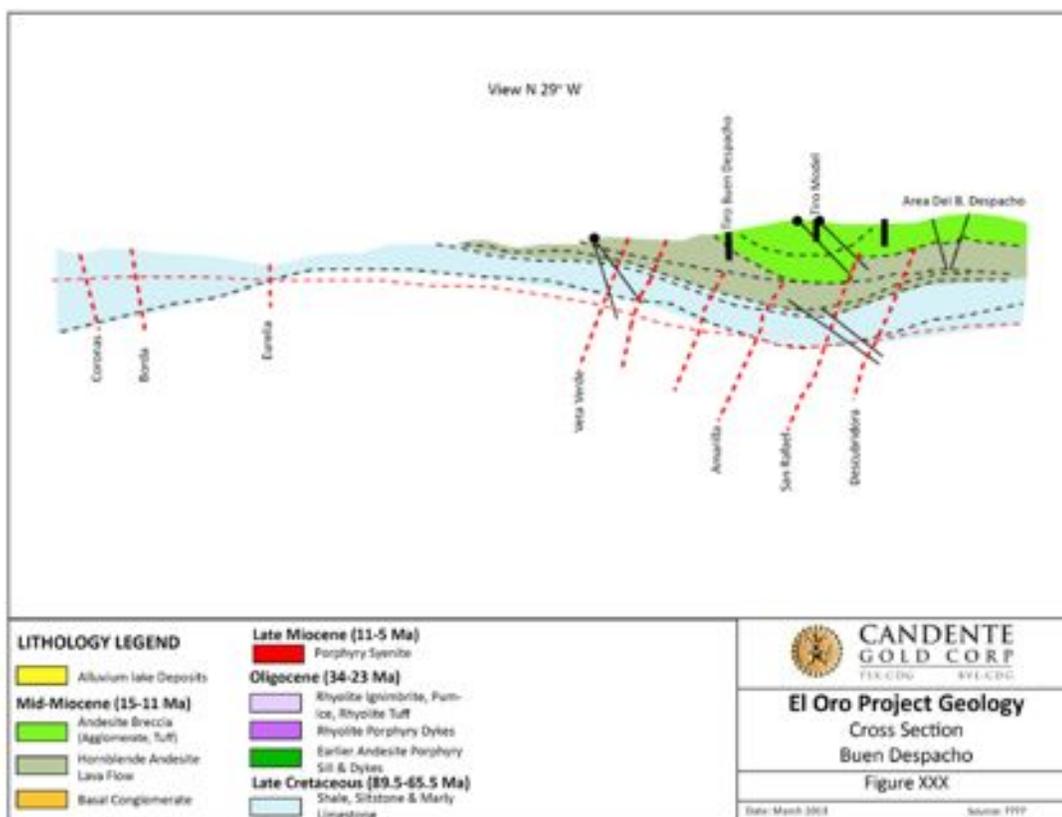


Figure 13: Buen Despacho Cross Section Geology

*The Verde , Jesus del Monte, El Salto, Nueva, Colorada, Blanco, Amparo, Somera veins and smaller veins A, C, D and E at Dos Estrellas*

*The Verde and the Nueva veins* were discovered by Fournier in 1902 using the same concept as the discovery of the blind San Rafael vein by tunnelling in perpendicular to the NNW district vein trends along the 1.0 km long Dos Estrellas adit under the post mineral andesite cover. Fortunately, the adit cross cut the Verde vein at the richest part of the vein. A summary of the production tons and grades from the Dos Estrellas Mines is located in the Historic Production section above. Large amounts of water along the hanging wall side of the vein walls and faults and along the unconformity of the andesite cap and the underlying shales hindered the mining activities.

Production occurred over a vertical depth of up to 460 meters and over a strike length of approximately 1.8 kilometers. Based on historical mine data, the vein produced in excess of three million gold equivalent ounces from 6.3 Mt of ore with an average production grade of 12 g/t gold and 160 g/t silver over an average thickness of 5-10 meters. Several other sub-parallel and branching veins were also mined. The Verde vein is hosted mainly in meta-sediments and less commonly in meta-andesite sub-volcanics. The San Rafael Vein is 1.5 kilometers to the ENE of the main Verde vein.

The main Verde vein segment measures 700 meters in length and varies in width from less than 10 to as wide as 30 meters. The vein continues to the south from the Dos Estrellas adit for a distance of 500 meters. Drill hole M-71-1 targeted the southern strike extension of the Verde vein. The Verde vein continues to the north for a distance of at least 1700 meters from the Dos Estrellas adit access and remains a strong exploration target.

The main Verde vein segment is sinistrally offset by at least 18 sub-parallel east-west trending faults centered on the eastern end of the ENE trending Dos Estrellas adit. The vein has been the focus of extensive underground workings over the years with multiple levels of development. The Dos Estrellas adit branches to the right into the Oyamel adit at 450 meters east of the main Veta Verde. This access adit remains inaccessible at this time due to severe caving of friable shales. Veta Verde was developed over several levels including +60, +72 and +80 foot level. Several sub-parallel veins occur to the east-northeast of the main Veta Verde vein as follows: Veta Amparo is 200 meters east, Veta A is 280 meters east, Veta B is 280 meters east, Veta C is 410 meters east, Veta D is 490 meters east and Veta E is greater than 600 meters east of the main Veta Verde core. Two shafts access the north end of Verde including Tiro Cuatro, Tiro Cinco and several shafts access the main and south end of the vein system including: Tiro Sur, Tiro #3, Tiro Nuevo de Union.

Candente Drill holes in 2007 (VV-07-01, VV-07-02 and VV-07-03) targeted the northern strike extent of the Verde vein and related veins.

*The Jesus del Monte vein* was first cut at 579 meters along the easterly Dos Estrellas adit followed by Veta El Salto and then the Nueva Vein at 660 m to the east, followed by the argentiferous bonanza vein called No. 27 and finally the bonanza Verde Vein. The Verde vein character was very different from the argentiferous Nueva vein as Verde was much larger in width and extremely gold-rich and could be extracted effectively by cyanidation. The Verde vein was exploited over a distance of 1800 meters to a depth of 460 meters by mine levels in order: +160, +120, +100, +90, +72, +36, Level 0 (Socavon de Las Dos Estrellas). In the upper levels (+160, +120, +120, +72) the Verde vein trends N25W and dips to the SW between 50 to 65°. On Level +72 the vein had a width of 33 meters reduced to a few meters or centimeters where it horsetails near to the shale host rock contact. In the hanging wall of the Verde vein is: the Colorada, Jesus del Monte, El Salto, Blanca veins. In the footwall of the Verde vein the Amparo, A, C, D and E veins occur.

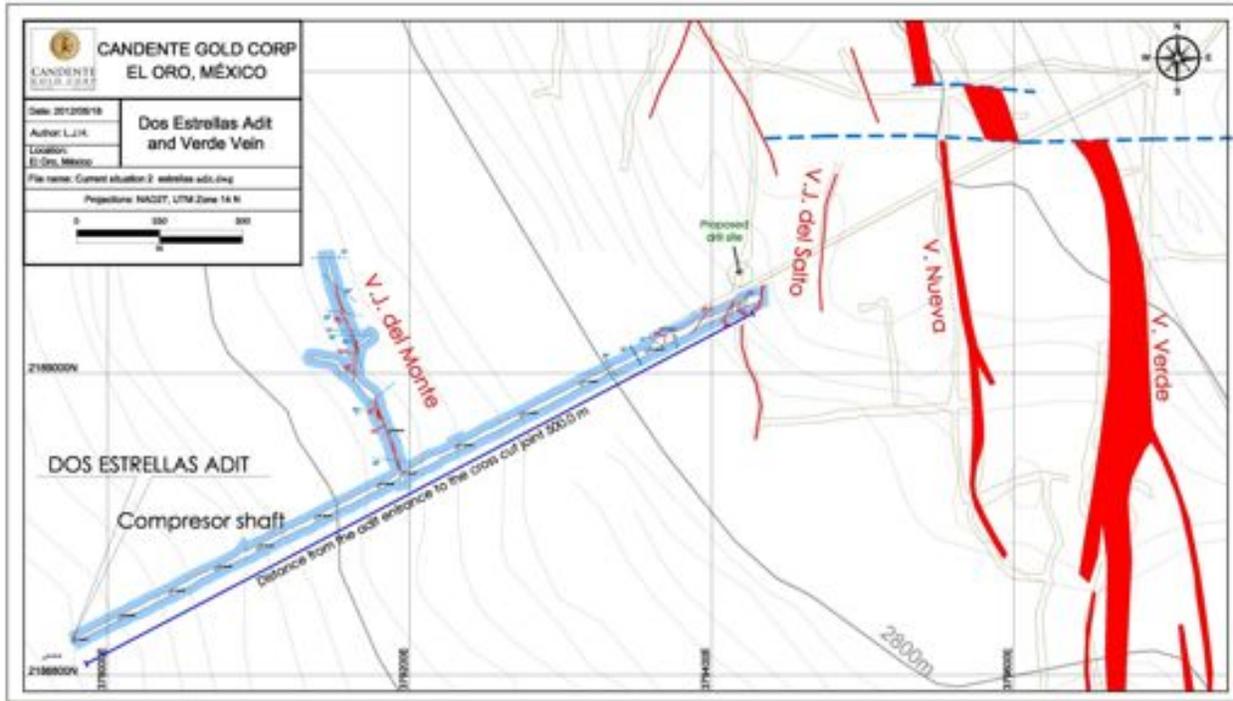


Figure 14: Veta Verde Long Section showing the widest portion of the veins development

The Blanca vein was in the hanging-wall to the east of the Verde veins and was between 5 and 75 meters in width and trends N10W in contact with a hornblende andesite sill on Level +160. The vein is white to canary yellow with calcite and graded between 16 to 18 g/t Au and 160 to 180 g/t Ag. The NW extension is truncated by a fault that trends N70E and dips 80° to the NW. On the level below Level +120 the Verde and Blanca vein are separated by 65 meters and the veins were exploited for a distance of 300 meters. The Blanca vein trend varies from between N10W to N25W. The Verde, Blanca and related veins are bisected by a series of eighteen N70E cross faults that are interpreted to be pre-mineral and post-mineral in nature. Two of the larger faults can be seen in Figure 14 above.

The Somera Vein was argentiferous; dipped to the SW between 50 to 60°; and was extremely narrow but rich in silver sulphides. The NW vein extension is intruded by large masses of andesite and rhyolite intrusions similar for those intrusions in well-known gold districts.

The faults that dislocate the veins in this area starting from NW to SE include: Fault 420 with a horizontal offset of 2.1 meters; Fault 280 with an offset of 4.2 meters; Fault 180 with an offset of 1150 meters; Fault 4 and 5 that displace the Verde vein by 40 meters; Dos Estrellas North has a strong throw to the north and Dos Estrellas South trends N87E and dips 85° to the NW and finally Fault 241 dips 45° to the SW which dislocates the Nueva and Verde veins. These easterly trending faults have a reverse sense of movement with the best mineralization located on Levels -30, -60 and -90 on one side of the fault while the same vein mineralization occurs at deeper on Levels -120, -150, -210 and -300 on the other side of fault.

For a more detailed account of mine geology and grades the author refers the reader to Flores 1920.

### Tlalpujahu District Exploration Targets

Tlalpujahu ores were high grade, shallow, chiefly of silver and excellently adapted to treatment by the Patio Process for recovery.

#### Borda Vein

The Borda vein system is a silver rich Ag-Au epithermal vein target. Surface exposures and historic underground mining data indicate that the system extends at least 1.5 km along strike, and down-dip to at least 150m. Historically exploited ore zones were narrow, ranging in width from 0.70 to 2.0m, with occasional blowouts up to 12m in width. Historical production data for the Borda vein is only general in nature, and Flores (1920) reported grades of 1-5 g/t

Au and 100–760 g/t Ag for the Borda vein. Total production from the Borda vein system was probably less than 300,000 tonnes (Grey, 2003).

The mines on this vein were constantly battling dewatering challenges. The Borda was also worked via open pit methods but much less extensively than the Coronas vein. The Borda workings had very limited cross cuts and the miners were following the vein and typically missed ore beyond faults along the strike extension of the vein, outside the known bonanzas. In 2003, Grey suggested that exploration targets on the Borda vein system include:

- Zones of parallel mineralized structures
- Zones of disseminated mineralization in altered wall-rock to the main vein
- Gold-rich shoots or portions of the vein

On top of Cerro San Francisco (Tiro San Francisco-Figure 15) mapping demonstrated the existence of mineralized structures parallel to the main Borda vein in structural zones ranging from between 20 to 40m in width. Sampling demonstrated anomalous gold enrichment in wall-rock to the main mineralized structures.

The mineralized vertical interval of the Borda vein reaches the surface at a maximum elevation of 2685m at Cerro San Francisco and is exposed in mine workings at elevations as deep as 2480m. Vein width and grade does not change appreciably over this 195m interval (Grey 2003). There is no evidence to suggest that deeper portions of the vein will be wider or higher grade than those historically mined.

There is the potential to develop ore zones similar to those historically mined as follows::

1. Tiro Santa Cruz area, where historic mine maps show exploitation of an ore zone terminated against the lowest production level at 80m below surface. However mineralized widths are approximately 1.0m and reported grades are 2.3 g/t Au and 229 g/t Ag.
2. Tiro Quebradillas area, where exploitation of a relatively high-grade ore shoot terminates at the lowest production level, with no apparent decrease in grade. The reported mining width however is no more than 1.5m and reported grades are 1.6 g/t Au and 322 g/t Ag.

The bedrock geology is comprised of a metamorphosed fine grained sedimentary sequence which has been intruded by a plagioclase phyric andesite subvolcanic body. The metamorphosed sedimentary strata, known as “pizarras” include true phyllites, as well as metamorphosed siltstones and sandstones. At lower elevations on the western and southern flanks of Cerro San Francisco, a fine grained, plagioclase phyric andesite subvolcanic unit occurs. The andesite unit also called the “andesita antigua” is truncated against the Borda vein structure. Similar rocks were described by Flores (1920) as hosting the Borda vein at a depth of 180m depth below surface in the Pinto mine. These same andesite sills occur throughout the San Rafael and Verde veins and are known to control, through rheological contrasts, wider vein emplacement due to better dilation near the competent sill contacts.

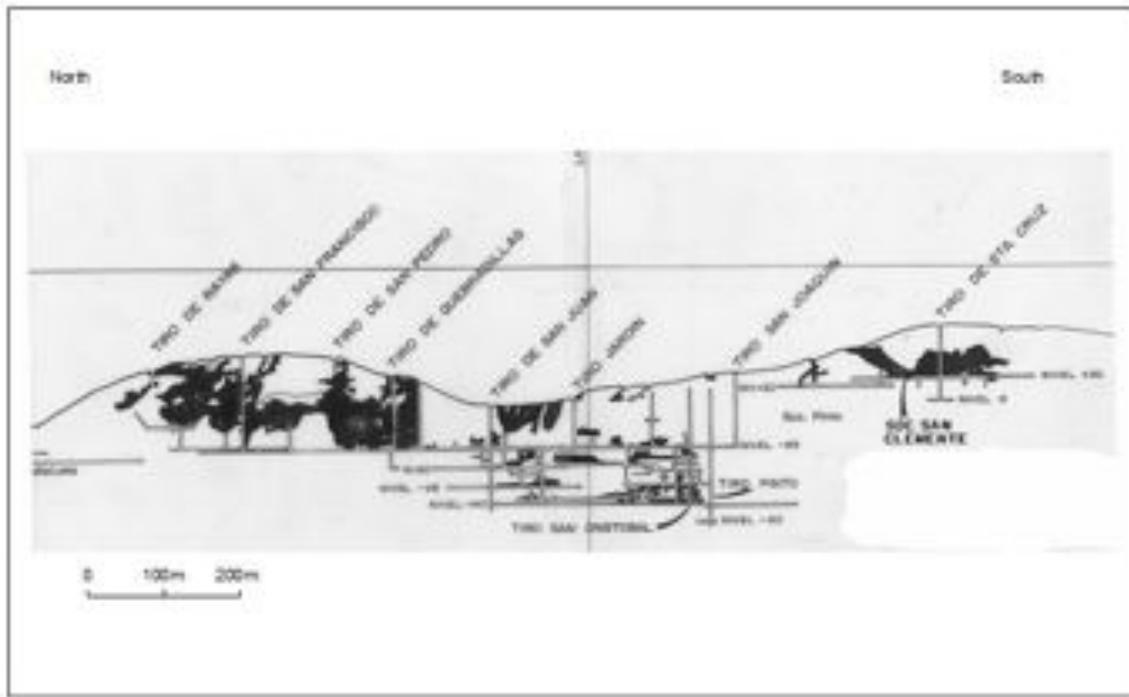


Figure 15: Borda Target Longitudinal Section

The Santa Cruz and Quebradillas targets can only be further evaluated by drill testing.

The Coronas, Borda, and Luz de Borda vein systems have differing exposures of the same vein system. The Coronas and Luz de Borda vein systems were both mined at depth but were lacking encouraging surface samples. The existence of these veins was known by records of underground development and exploitation. The underground workings were not accessible during the 2003 review due to collapsed walls. The Borda vein system is exposed at surface in what appears to be an uplifted and exposed fault block.

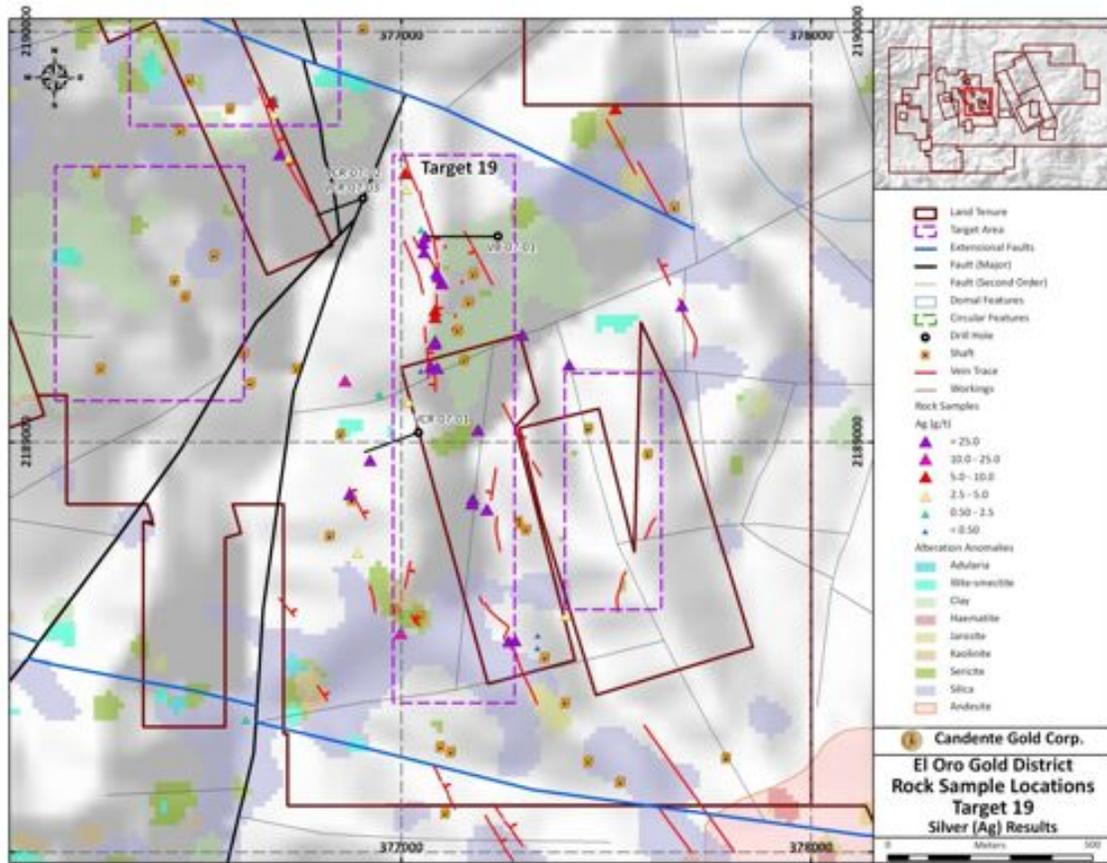


Figure 16: Surface results (silver (g/t) for Borda and South Coronas

### Coronas Vein

These veins were originally worked via open pit methods along a strike length of nearly 1.6km (1.0 mile) down to shallow drainage tunnels. The ore at Coronas was of very high grade, exposed on surface and easy to mine and recover via the Patio Process. The Coronas workings have very limited crosscuts and the miners typically missed ore beyond faults along the strike extensions of the vein outside known bonanza vein segments.

The Coronas vein has a total strike length of 2.0 kilometers and is hosted within meta-sediments and meta-volcanics. Locally this vein was mined to an approximate depth of 200 meters with an average mining width of 1 to 2 meters. The Coronas vein, similar to the Borda vein, is silver-rich with gold credits.

Table 8: Significant Results from La Mina San Andres at the Coronas Vein Target

Level	Longitudinal Million Tons	Width(m)	Gold(g/t)	Silver(g/t)
-80	10	1.15	0.75	209
-90	82	1.1	1.05	162
-100	19	1.2	0.78	198
-165	90	1.35	0.46	46
-165	28	0.95	2.25	600
-165	22	1	0.18	47
-165	16	0.97	0.83	752

(Source-Minera Mexico Michoacán, S.A. de C.V. Proyecto El Oro-Tlalpujahuá-Reporte Correspondiente al Mes de Mayo de 1989)

*Veta Coronas-Socavon El Chino:* This adit occurs a few meters to the northwest of the main building of the plant and is 140 meters in length and followed the strike of the Veta Coronas. The first 27 meters was rehabilitated to allow entry. The entire adit was mapped and channel samples were taken every 4.0 meters along a structure that trends N5W and dips to the NE. A total of 73 samples were taken numbered 17001-17073. To the north of the Veta Coronas, a stream hosts the possible trace of the Veta Coronas where 3 samples were taken (#17074-17076).

*Cortaduras.*

The Cortaduras areas lies in the Tlalpujahuá Mining District and comprises a zone of altered meta-sediments in fault contact with pre-mineral tuffs. Within the meta-sediments an extensive zone of quartz-sulphide stockwork to sheeted veins and veinlets is developed. A small amount of historic production has occurred at the southern end of the Cortaduras Target at Tres and Cuatro Pilares and Tiro Santa Gertrudis. The Cuatro Pilares Mine in the southern portion of the Cortaduras target area has a reported production of 38,000 tonnes @ 3.92 g/t gold + 147.00 g/t silver. In 1988, Luismin conducted a short 10 hole drill program (BDDC-001 to BDDC-010) totaling 1,926 meters and reported spotty gold and silver values (BDDC-001 returned 0.23 g/t gold + 200 g/t silver over 13.45).

The Cortaduras Target has a quartz stockwork zone along an 800 meter of strike length and a width of 200 meters. Previous trenching and drilling confirm the area as having good potential for gold and silver-bearing structures including 345 g/t silver and 3.7 g/t gold.

BDDC-006 at Cortaduras intersected 1.3m from 57.6-58.9 m grading 15.0 g/t Au and 250 g/t Ag (including 0.45m of 20.1 g/t Au and 350.0 g/t Ag from 58.1 to 58.9m). At a down hole depth of 99.4 to 99.80 meters, the Veta Carmen de Virgenes was intersected in the form of a vein breccia with shale fragments. From 99.80 to 100.80 meters the vein fault was characterized by milky white to translucent quartz and where smoky quartz had disseminated pyrite.

Based on the trench and drill results Luismin calculated the potential metric tons 168,813 metric tons in 5.15 meters grading 0.96 g/t Au and 212 g/t Ag accessed by Tiro Del Carmen and Tiro Del Aire.

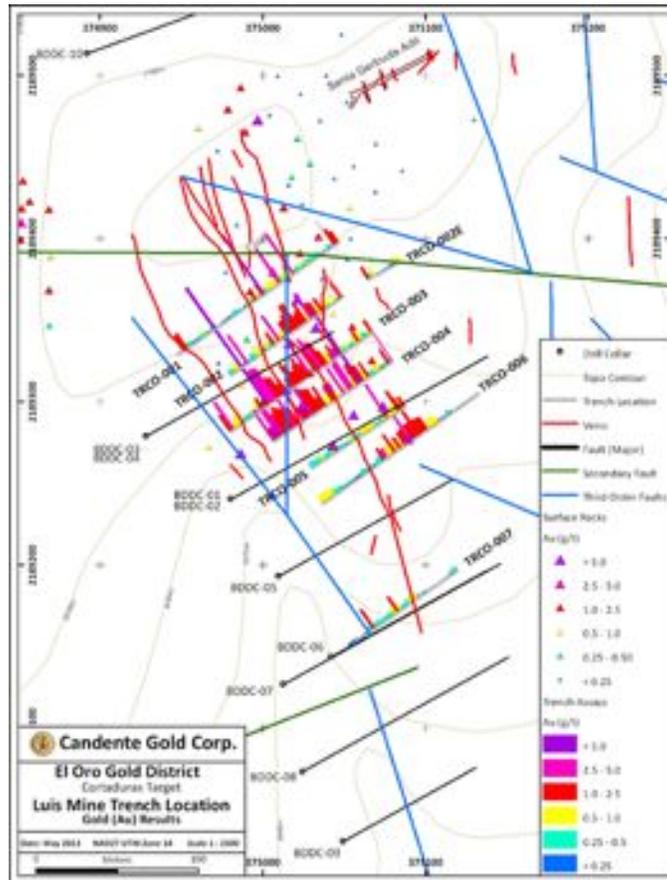


Figure 17: Cortaduras Gold Geochemistry (drill holes and trenches)

In 2007 Candente resampled the TRCO-001 to TRCO-007 trenches and Candente's surface gold and silver results were significantly higher than Luismin's results from their 1988 sampling program.

Table 9: Luismin 1988-1990 Cortaduras Drill Highlights

Cortaduras Drill Intervals-Luismin 1988-1990								
Hole ID	Az	Dip	From(m)	To(m)	Interval(m)	Au (g/t)	Ag(g/t)	EOH(m)
BDDC-1	61	-20	83.95	97.40	13.45	0.23	200	192.15
BDDC-2	61	-45	61.05	62.40	1.35	0.12	54	210.20
BDDC-3	61	-30	68.25	68.39	0.14	3.50	27	150.05
BDDC-4	61	-55	66.40	66.80	0.40	0.30	35	229.40
BDDC-5	61	-30	72.05	76.25	4.20	0.30	231	142.20
BDDC-6	61	-50	57.60	58.90	1.30	3.70	345	169.00
BDDC-6	61	-50	97.20	99.80	2.60	0.02	232	169.00
BDDC-8	61	-48	43.85	49.70	5.85	0.15	44	216.50
BDDC-9	61	-55	52.65	53.70	1.05	2.90	3	162.50
BDDC-9	61	-55	121.45	122.05	0.60	1.10	14	162.50
BDDC-10	70	-44	154.32	160.20	5.88	0.13	196	238.40

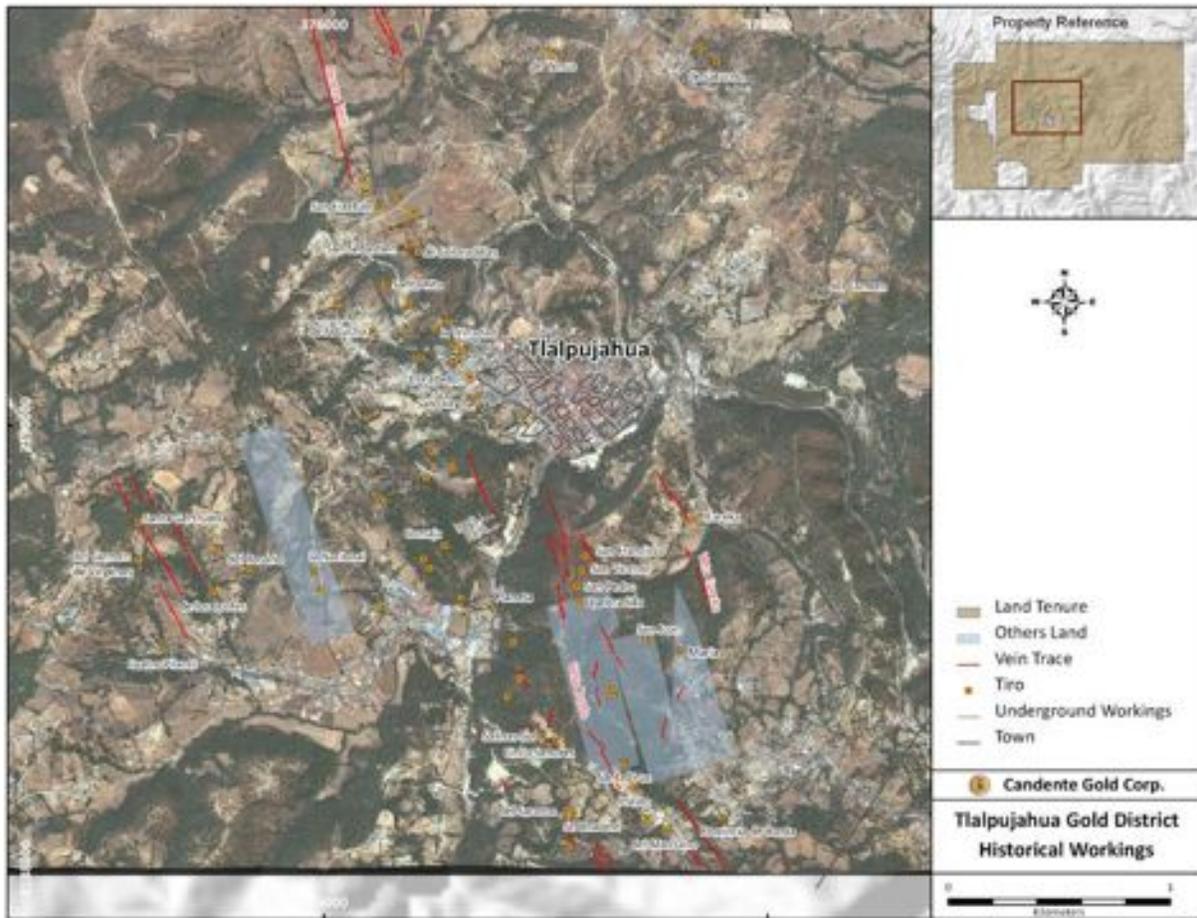


Figure 18: Tlalpujahua mining district showing priority vein targets

**Historic Geophysics**

A variety of differing geophysical surveys (Figure 19) have been completed over the El Oro-Tlalpujahua Mining Districts between 1996 and 2007.

*Quantec Gradient IP Survey*-In 1996, Quantec completed a 63 line-km Gradient IP (Time Domain) survey for Teck (Figure 18) over the north San Rafael-Buen Despacho area; the north Verde area and the Zona Oriente target areas. The survey objective was to detect quartz vein, silica breccia and sulphide concentrations under >100-350m of volcanic ash and post mineral andesite. The survey defined resistivity and chargeability signatures associated with lithologic contacts and NNW and NNE silicic fault-fracture zones. The Buen Despacho target was defined as a resistivity zone with weak to moderate chargeability as well as a sub-parallel conductive zone interpreted as a perched water table at the contact with the post mineral andesite cap with the underlying Cretaceous sediments. Graphitic units were common along the footwall rocks to the vein faults.

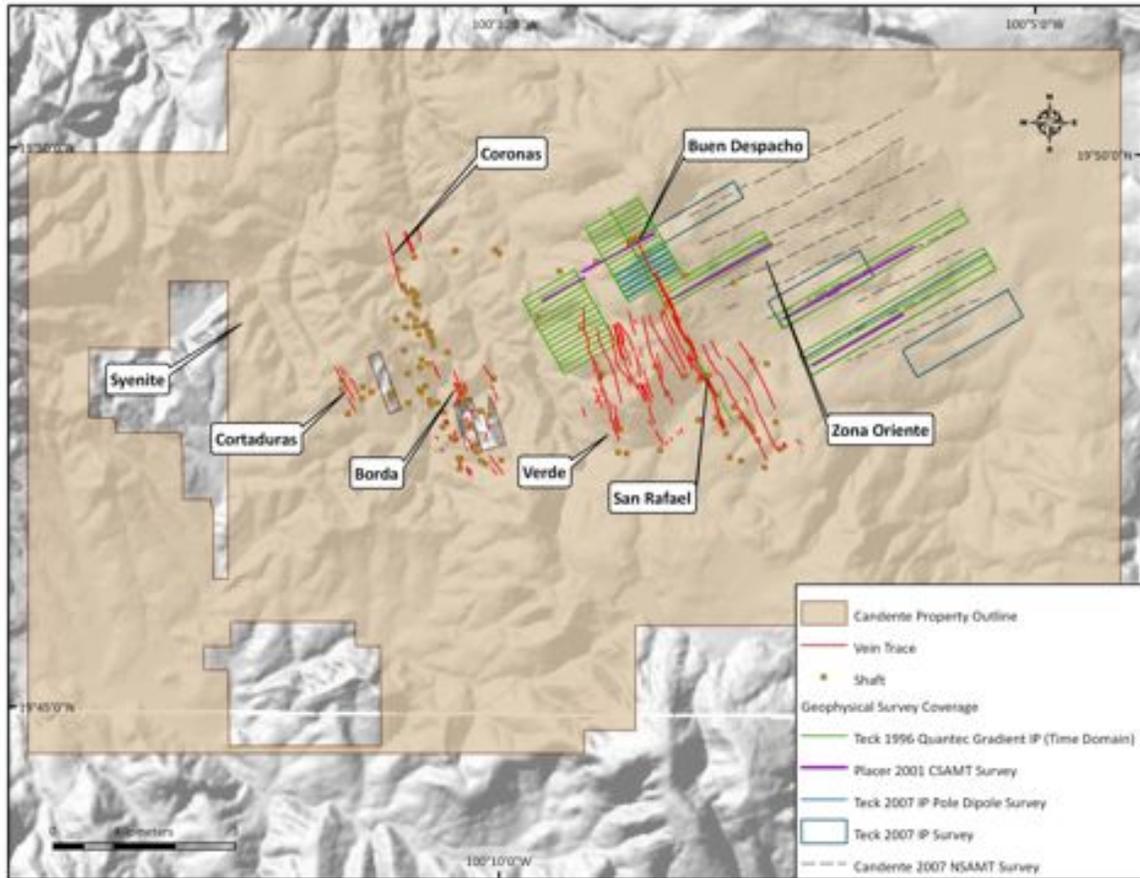


Figure 19: Distribution of Historic Geophysical Surveys at El Oro Property

There were 16 priority Gradient IP targets defined at the North Verde target area. Many of these targets were trending NNW and NNE; moderate to strong IP-resistivity anomalies that ranged in length from <200-600 meters; were steeply dipping to the east or west; and were shallow to moderately buried under >200-350m of post mineral cover. In 1996 to 1997, Teck drilled several of the higher priority targets with generally poor results (gold ranging from 0.12-0.45 g/t Au and 2.4 to 5.8 g/t Ag). Many of the Teck holes were poorly placed relative to the anomalies (either on top of or too close) to the anomalies. In 2007, Candente drilled three holes targeting some of the anomalies south of the 1996-1997 Teck holes. One of the Candente holes (VV-07-01) intersected silver (gold) over a total of 52.9 meters including: 13.4m of 0.24 g/t Au and 57.5 g/t Ag and 0.30 m of 4.31 g/t Au and 1260 g/t Ag.

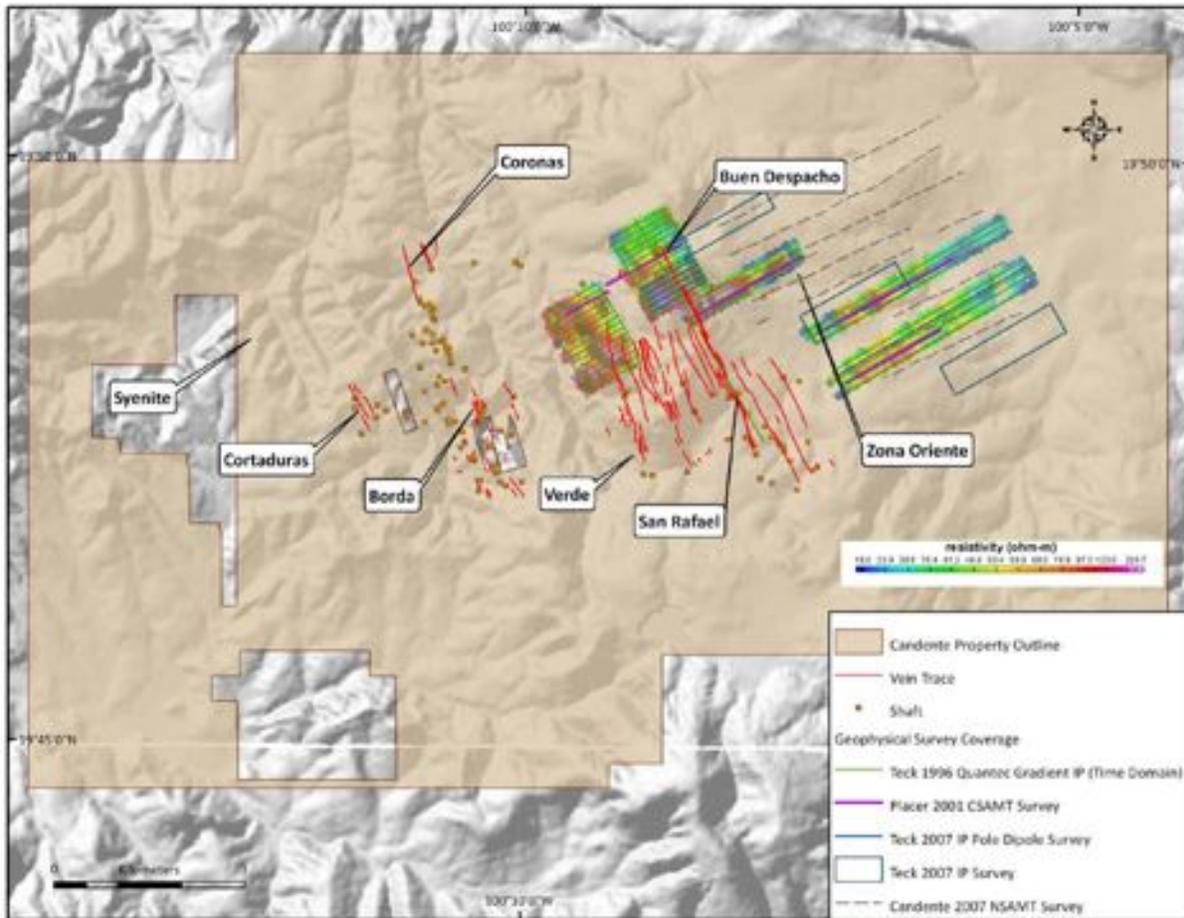


Figure 20: Distribution of the Teck 1996 Gradient Resistivity (Time Domain) Survey

Table 10: Candente Gold’s VV-07-01 Drill hole Highlights on the North Verde Target

From(m)	To(m)	Interval(m)	Au g/t	Ag g/t
288.2	301.5	13.3	0.24	57.5
307.2	322.1	14.9	0.23	53.3
392.5	416.8	24.3	0.07	15.1
446.9	447.3	0.4	0.14	93.9

A total of 13 priority targets were defined at the Buen Despacho target area. Many of these targets were NS to NNW striking, moderate to strong IP anomalies along axes of sub-vertical resistivity anomalies. Many were described as plunging to the south. Several of the anomalies were drilled in 2007 and 2010 by Candente.

In 2001, Placer Dome completed a UTEMEM and CSAMT survey over the Oriente Zone to define potential silicification zones over the area east of the main San Rafael vein.

In 2001, Placer Dome completed a pole-dipole San Rafael vein orientation survey over a 500 m long segment of the 3.3 km long San Rafael vein to characterize the geophysical response of the vein and related mineralization. The style mineralization was predicted as a resistivity high as the vein/vein breccia zone is siliceous. A chargeability anomaly was expected as the earlier Teck work showed a coincident chargeability trend (Figure 21). The results of the survey defined the sheared footwall graphitic shale-siltstone sediments to the San Rafael vein and vein breccia zone as a well-defined chargeability anomaly. The post mineral andesite cap was clearly defined as a resistivity anomaly (Figure 22).

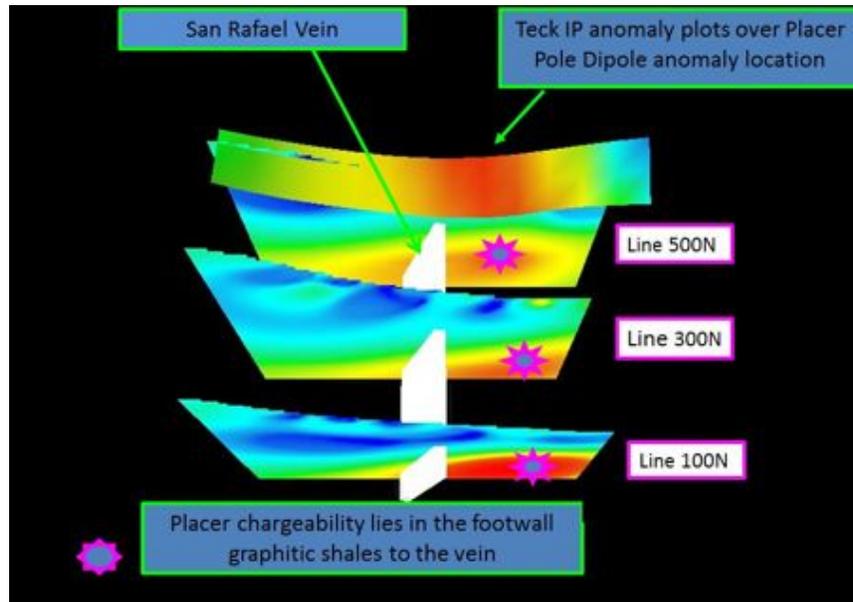


Figure 21: Placer 2001 pole-dipole IP north-looking showing chargeability anomalism relative to the San Rafael

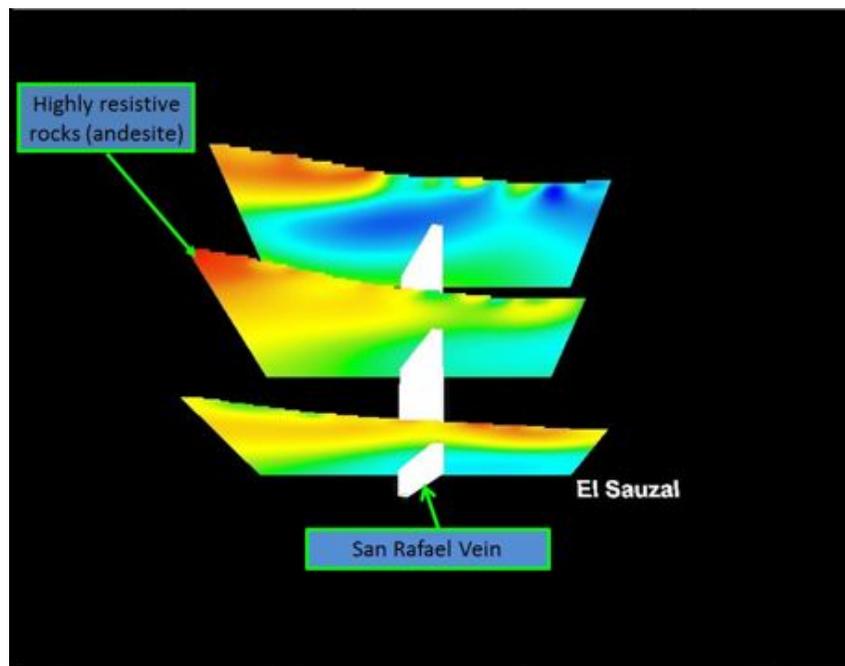


Figure 22: Placer 2001 pole-dipole IP north-looking showing resistivity anomalism relative to San Rafael vein

## Candente Gold's 2007 NSAMT Program

In February 2007, Zonge Engineering and Research Organization (“Zonge”), completed a 36 line-km NSAMT survey over the Oriente area (Figure 23), east of San Rafael to define potential favourable mineralization under the post mineral andesite cap. The survey defined resistivity highs bisect the grid and also suggested a natural thickening of the volcanics to the east. Several drill holes were drilled by Candente after the 2007 NSAMT survey with poor results. The resistivity anomalies were typically subvolcanic andesite intrusions as well as narrow fault-induced silica breccia zones.

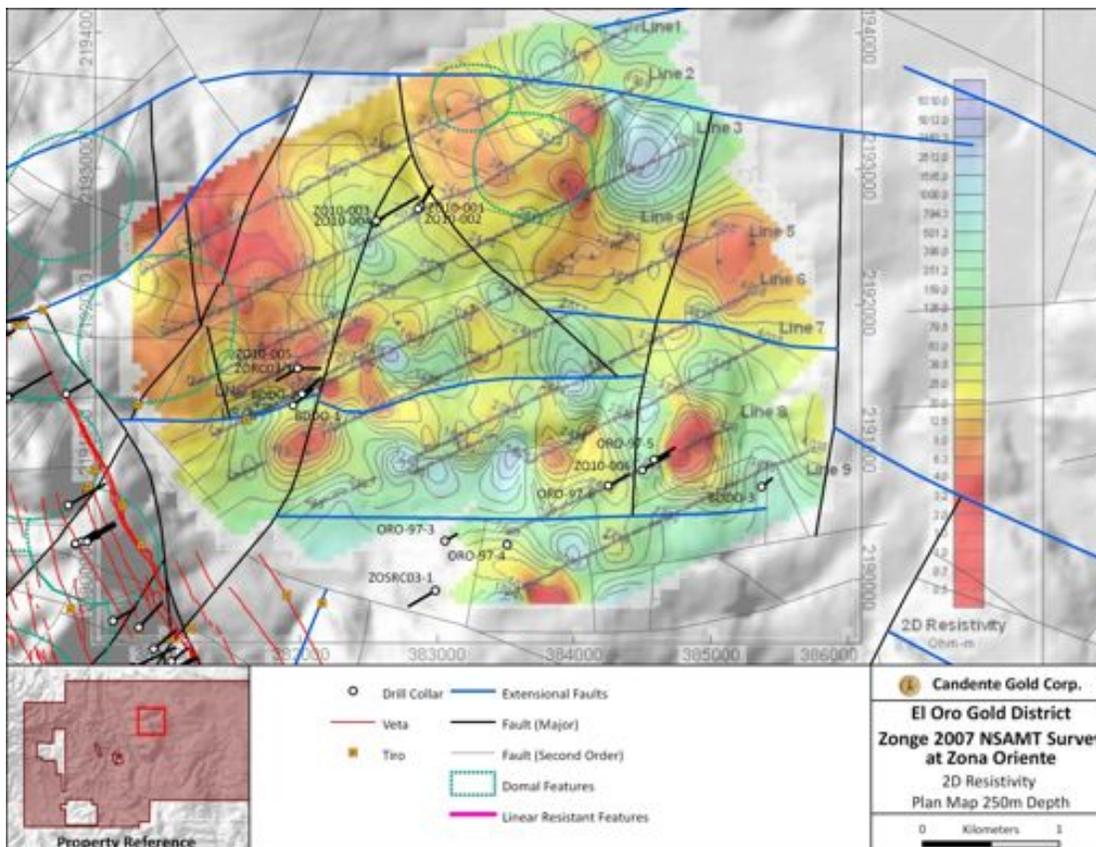


Figure 23: Candente Gold's 2007 NSAMT Plan Map 250meter- 2D resistivity at Oriente

## GEOLOGICAL SETTING AND MINERALIZATION

The El Oro property is located in the east-west trending Trans-Mexican volcanic belt in the central part of Mexico. The belt consists mainly of Tertiary and Quaternary andesitic flows and tuffs underlain by Cretaceous and Jurassic meta-sediments and meta-volcanic rocks.

Tertiary and Quaternary volcanic rock sequences are represented by flows and tuffs of mainly andesitic composition with dacitic and rhyolitic compositions being less common. Cretaceous meta-sediments are represented by black meta-siltstones, meta-sandstones, and phyllites. Meta-volcanics are mainly represented by andesitic tuffs and less commonly flows. The above-mentioned rocks are locally intruded by andesite dikes, dacite porphyries, diorite, and porphyry syenite.

The historically productive veins of the El Oro area are hosted in the Cretaceous and older meta-sediments and meta-volcanics. In most of the area, these rocks are covered by post-mineral Tertiary and younger rock units. In the Tlalpujahuá area, the older, pre-mineral rocks and veins are exposed on the surface. The same Cretaceous and older rocks with quartz-carbonate veins are exposed in structural windows through erosion within the younger Tertiary volcanic rock units south of the town of El Oro (Descubridora vein) and in some parts of the Oriente area. Initial

mining in the El Oro – Tlalpujahua area started in veins out-cropping in these erosional windows (Descubridora veins).

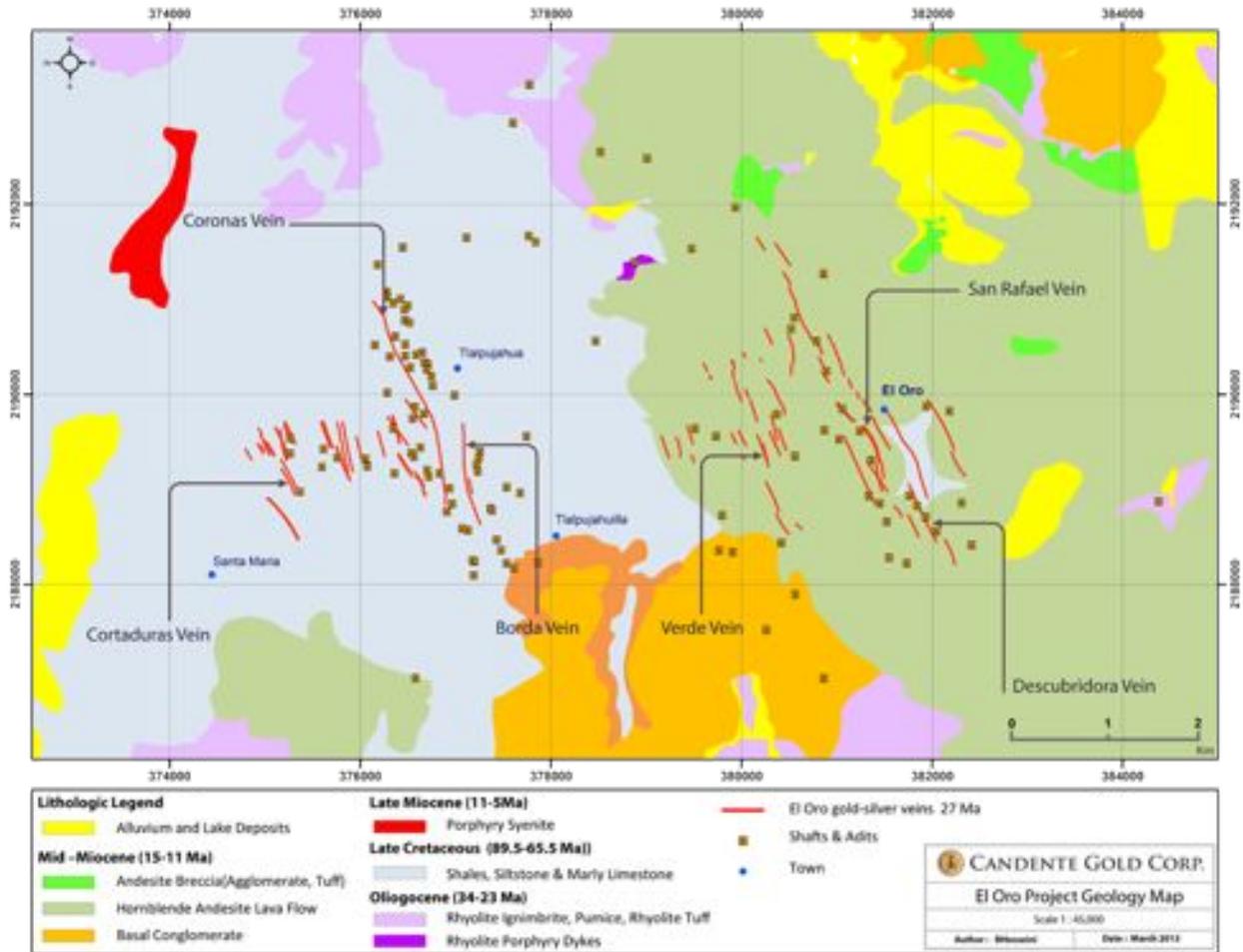


Figure 24: District Scale Geology of the El Oro-Tlalpujahua Mining Districts

The states of Mexico and Michoacán are made up chiefly of Cretaceous sedimentary rock and Tertiary volcanic rocks, including large areas of intrusive and extrusive andesite flows. There are also granitic intrusions, probably Tertiary in age including quartz eye rhyolite porphyry. The principal ore deposits are related to Tertiary period of volcanism and the most important orebodies lie within the shales, although valuable orebodies occur in the intrusive rocks as well. The El Oro District is underlain by Mesozoic shale, sandstone, limestone and calcareous siltstone which strike easterly and dip at low angles. These rocks are intruded by early andesite sills and in places the vein mineralization is covered by post mineral andesite cap.

These rocks are faulted by a series of NNW trending vein faults that host fissure veins and silica breccias. Locally veins are deeply oxidized; supergene weathered and enriched. The western Tlalpujahua Mining District is lacking the post mineral andesite cover with mineralization often exposed on surface. The veins in the eastern district El Oro host San Rafael and Veta Verde amongst + 30 other veins that dip steeply to the west-southwest. The San Rafael is stoped continuously for 2000 feet on strike and about 650 feet below the andesite cap. The San Rafael vein-breccia zone is typically between 60 to 100 feet in width but contracts (narrows) at depth. Many well mineralized sub-vertical vein branches rise into the hanging wall. Ore consists of quartz-calcite-pyrite-sphalerite-argentiferous sulphides and gold. The gold is generally in very fine invisible particles. The ore grades  $\frac{1}{4}$  to  $\frac{3}{4}$  ounce gold and 2 to 3 ounces silver per ton, locally much richer. There is no evidence of transportation of gold by secondary enrichment. The lodes are displaced by many cross faults which also cross and fault the andesite capping. Approximately 1800 feet (545m) below the cap rock values decrease. The deposits of Tlalpujahua, Michoacán, locally 3 miles to the west of El Oro, are similar but the andesite capping is lacking over most of the area and silver is prominent in the ore. These veins, unlike the veins in the east (e.g. San Rafael and Veta Verde) dip steeply to the

east suggesting by some that a graben exists about 4 miles across. Others mention granite porphyry dykes in the El Oro District.

Table 11: Lithologic Legend of the El Oro and Tlalpujahua Mining Districts

<b>LITHOLOGIC LEGEND</b>	
<b>Quaternary to recent (&lt; 1.8 Ma)</b>	
	Recent deposit
	Red conglomerate
<b>Late Pliocene to Quaternary (1.8-2.5 Ma)</b>	
	Andesite dyke
<b>Pliocene (5-2.5 Ma)</b>	
	Dacite-rhy welded tuff pumice flow
	Pyroxene basaltic-andesite lava flow
	dacite to rhyolite ignimbrite
	dacite-rhyolite porphyry
<b>Late Miocene (11-5 Ma)</b>	
	Syenite-latite porphyry
	Basalt and basalt breccia flow
<b>Mid Miocene (15-11 Ma)</b>	
	Andesite tuff breccia, agglomerate
	Hornblende >augite andesite porphyry
	Augite >hornblende andesite porphyry
<b>Early Miocene (23-15 Ma)</b>	
	Rhyolite ignimbrite
<b>Oligocene (34-23 Ma)</b>	
	Rhyolite ignimbrite
<b>Age of El Oro Mineralization (27 Ma)*</b>	
	Gold-silver bearing quartz veins
	Rhyolite porphyry dykes
	Aplite dykes and milky quartz veins
	Syenite
	Andesite lava flow
	Andesite porphyry sill
	Diorite or diabase
<b>Late Cretaceous (89.5-65.5 Ma)</b>	
	Marly limestone
	Shales and siltstones

\*source: Albinson et. al., 2001

### ***Mineralization***

The El Oro district comprises a group of low sulphidation Au-Ag veins in south-central Mexico. The district is unique for its historic size (approximate production of 18 M oz Au EQ) with a Ag: Au ratio of up to 8:1 at El Oro with a grades of 11 to 12 g/t Au and a persistent strike length in excess of 3.3 km. Despite its historic significance, very little geologic research has been done in the area, and surface exploration drilling totals 41,639 meters. Most exploration was done from surface prospecting and underground drifting totalling 100's of kilometers.

The El Oro District is covered by post-mineral volcanic cover, and cut by numerous post mineral faults, some of which are down-to-north offsets suggesting high prospectivity using sophisticated exploration techniques. The San Rafael and Veta Verde are sub-parallel, are 1.0 km apart, and are the most important mineralized structures in the

district. Both the veins dip steeply to the west-southwest and have narrow but frequent sulphide and gold-rich branch veins in their hanging-walls.

The mineralized veins host quartz, calcite, pyrite, sphalerite, argentiferous sulphide and fine microscopic gold; calcite gangue carries the higher silver values. The San Rafael vein is reported to be traceable along strike from Tiro Mexico on the north to Tiro Sirio to the south; and has been stoped on the upper levels for about 2.5 km along strike. The vein zone is typically 20-30 meters in width and locally reaches up to 70 meters on the upper levels. At depth the vein narrows considerably and ore values decrease.

The Veta Verde is similar to the San Rafael veins, is a weaker structure and has a reported mining width of 12 meters to a depth of 460 metres below the post mineral andesite cap rock. In the upper part of the mine the shale is well mineralized with higher silver values than the main quartz-carbonate vein-hosted mineralization at deeper levels.

### ***Structure***

The basement rocks of the El Oro district are comprised of clastic sediments and andesite volcanic interbeds. The rocks were shortened by E-W compression, probably during the Laramide Orogeny. Auriferous veins fill NNW extensional faults cutting the Laramide Fabric. A northerly extensional structure occurs to the north and south within the areas affected by Cenozoic extension. The basement rocks are part of the Mexican Basin and Range Province. Late Miocene to Pliocene volcanic rocks of the Trans Mexican Volcanic Belt cap the basement rocks in the district. Coeval NNW to N-S extension produced E-W to ENE-WSW trending grabens, a common theme in the district. These faults cut orebodies and NNW fault reactivation has propagated these structures

The local geology has been described in detail by Flores (1920), but little modern exploration work has been developed. Mines in the district are hosted by Cretaceous to Jurassic basement rocks, consisting of folded clastic sediments, graphitic interbeds, and intermediate flows. These rocks are strongly deformed by Laramide-age shortening, and display duplexes, west dipping thrusts and east verging inclined to recumbent folds. This sequence is unconformably overlain by post-mineral andesite and ignimbrite. All rocks are cut by ENE-SSW post-mineral fault systems. Geologic sections and outcrop observations suggest a component of normal motion across these structures with extension to the NNE. Offsets across these faults are generally minor within the mines, however, the mineralized veins are consistently cut by E-W to ENE-WSW faults. Many auriferous veins terminate at large E-W trending faults, suggesting these structures may have accommodated more significant displacement (ie, Falla Carmen). In the El Oro district, these faults are largely north-dipping, some may be reverse in nature but many have a normal sense of movement, down-to-the-north offsets.

### ***EXPLORATION BY CANDENTE GOLD***

Candente Gold is of the opinion that the El Oro project has met a major milestone in the ongoing compilation of the historical work by identifying controls for potential higher grade mineralization that remain untested.

Candente Gold's drilling in 2007, 2010 and 2011 demonstrated that gold and silver mineralization in both the San Rafael Vein and in parallel veins extends over much greater dimensions, both laterally and vertically, than historic mining was carried out. Recognizing that controls to the higher grades were not clearly understood and that an immense amount of recently discovered historical data had not been previously considered, the Company has focused recent exploration definition work on *the creation of an integrated 3D model of a 1.0 km long segment of the 3.3 km long San Rafael Vein to include: all known underground workings; 2700 two-meter grade control assay level plans; 143 drill hole assays (many with poor core recoveries); surface geochemistry; favorable alteration and structures as well as lithologic contacts amenable to mineralization. Further on-going work includes characterization of known and unique vein segments via a vein intercept study including: fluid inclusion studies; metal ratios; metal contents; vein textures and mineralogy; sulphide contents; as well as alteration and gangue mineralogy (Candente Gold NR 023).*

The objectives of the current work is to make new discoveries, expand the known mineralized zones on the San Rafael and Verde gold-silver vein systems, explore the remaining 16 blind veins in the eastern El Oro District and expand the mineralization of the remaining 28 veins in the western Tlalpujahua Mining District, where silver-rich gold veins and stock work are exposed over 100's of meters on surface. From the recent work, Candente Gold has established that easterly-trending transverse faults have both vertically and laterally offset veins and locally

enhanced gold and silver grades where they bisect the NNW-trending veins across the district. This is an important discovery. For the most part historic holes have been drilled sub-parallel to this favored mineralized trend. In addition, horizontal faults defined in the old mining records have laterally offset vein segments.

**Regional Structure:** The structural framework of the district is dominated by WNW/E-W and NE/ENE trending structures and both sets are considered extensional/transensional faults and are mostly northward down-throwing. The principal mineralized vein-faults trend NNW-SSE, where broader sections of the veins trend  $150^{\circ}$  as seen on the San Rafael vein, perhaps a trend more favourably oriented for dilation, whereas the  $160^{\circ}$ - $170^{\circ}$  vein trends appear narrower. In addition, NNE/N-S and ENE/E-W trending veins have been identified from the GeoEye-1 imagery interpretation, the same trend which is reported to locally control higher grades. In addition, bonanza silver-rich veins (as high as 6221 g/t Ag) and auriferous sulphide-rich veins (as high as +300 g/t Au) are known to occur throughout the El Oro district.

The veins have been crosscut and down-thrown by post-mineral extensional faults providing potential for blind mineralized vein systems to occur at deeper structural levels in the hanging-walls of these structures.

Domal features represent subvolcanic domes, intrusive stocks or volcanic necks. Several broad circular features represent eroded stratovolcanoes or calderas. The NNW-SSE trending quartz-filled vein faults lie along an anticlinal andesite domal feature. Pre-, syn- and post mineral sub-volcanic andesite sills, dykes and intrusions are common-place throughout the district. Other intrusive phases spatially and possibly genetically-related to gold mineralization include: pre-mineral andesite porphyry sills; and syn-mineral quartz-eye rhyolite porphyry and syenite porphyry dykes.

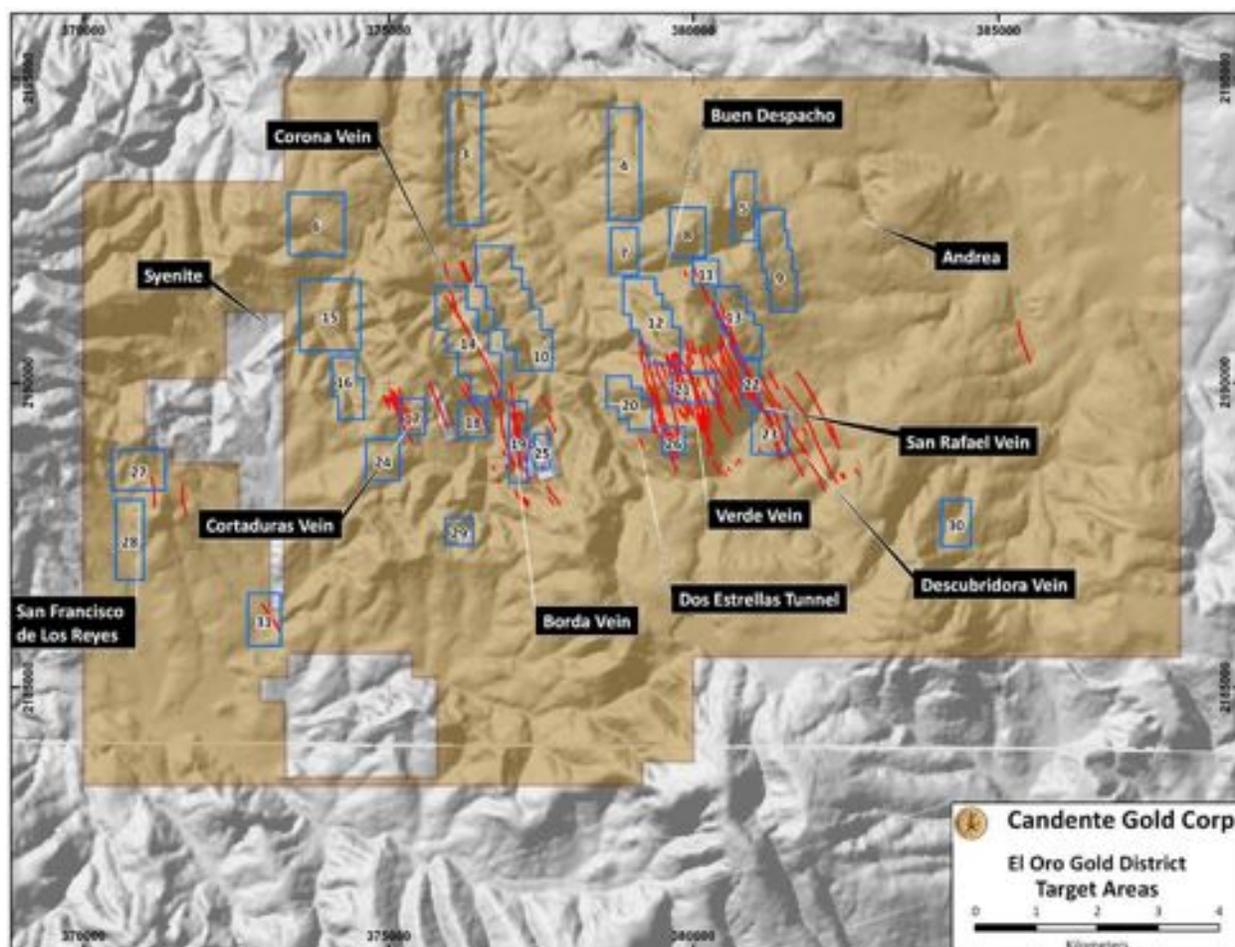


Figure 25: Regional structure showing 31 exploration targets within the El Oro Project

**Vein mineralogy:** includes multiple pulses of crustification (banding) and replacement textures including: early chalcedonic quartz; bladed quartz after calcite, dolomite followed by colloform banded quartz - adularia, and late drusy cavity-fill with evidence for multiple brecciation and overprinting events. Sulphides historically reported include: native gold, native silver, electrum (Au-Ag amalgam), and Ag sulfo-salts (Sb-Pb) including pyrargyrite (AgSbS<sub>3</sub>), auriferous pyrite; and ruby silver with minor pyrite, silver sulphides, galena, sphalerite and traces of chalcopyrite at deeper elevations within the system. Flanking wall rocks include inner quartz-adularia-Kspar and outer chlorite-carbonate(s) alteration. Buddingtonite and Kutnorite known to be related to silver deposits in Africa was also identified in the upper unconformity-related gold target below the Somera Tuff.

**Vein Types and silver to gold ratios:** The veins in the districts can be separated into oxide veins and sulphide veins. The oxide veins include: San Rafael; Verde; Descubridora and San Patricio. San Rafael and Verde vein zones are up to 70 meters in width and are of moderate grade, while some of the much narrower steep and narrow sulphide-rich hanging wall veins are much higher in gold grades.

Table 12: Ag: Au Ratios of the Districts

Vein Name	Ag : Au ratio
San Rafael	8 to 1
West San Rafael	10 to 1 to 2 to 1
Verde	12 to 1
Nueva	25 to 1
Borda	100 to 1
Coronas	100 to 1

**New Exploration Targets:** At least 31 new exploration targets have been identified in Candente Gold's El Oro property on the basis of satellite image structural interpretation and alteration processing based on major faults, intersections, branches and splays along major structures, releasing bends, proximity to intrusions, and ASTER/Landsat ETM+ derived alteration anomalies of known veins. Low sulphidation epithermal alteration minerals studied include alunite, illite-smectite, kaolinite, sericite and silica. In general alteration anomalies are not well developed across the El Oro property. Alteration is most widespread in the Tlalpujahuá mining district and is least common across the post-mineral andesite in the centre and east. This is typical of subtle low sulphidation alteration systems where alteration is typically confined to structures.

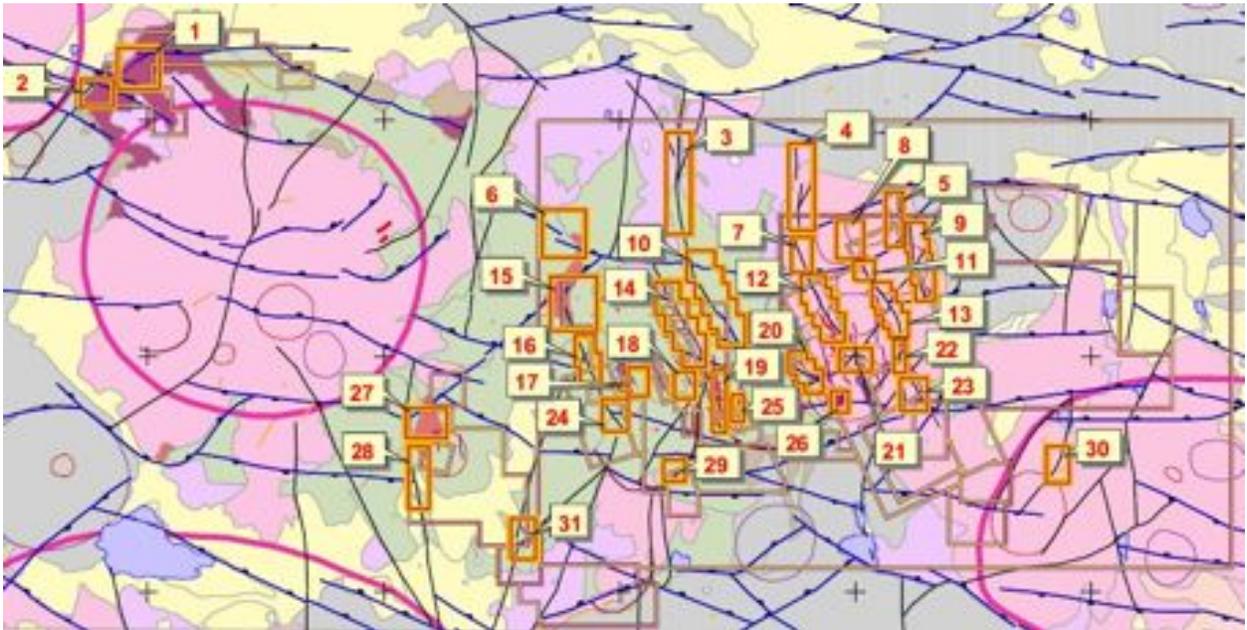


Figure 26: Compilation of ASTER/structural interpretation showing 31 targets

Table 13: Other Target Areas defined by ASTER/structural interpretation completed in 2013

Table 1		Exploration Targets for El Oro project area																
Target No.	Alteration							Major faults					Proximal to intrusions	Proximal to domal/circular features	Proximal to veins and veins	Priority		
	Alunite	Clay	Hydroxyl	Ullmannite	Jarosite	Kaolinite	Sericite	SW-ENE major faults	ENE-SSW major faults	W30N-E-W major faults	NE-ESE major faults	SW-SE major faults					Major fault intersection or splay	Major fault deflection
1	■	■	■	■	■	■			□		□		□		□		□	2
2	■	■	■	■	■	■		□		□			□		□			3
3	■	■	■	■	■	■	□	□					□					2
4	■	■	■	■	■	■	□	□					□		□			2
5	■	■	■	■	■	■	□			□					□			3
6	■	■	■	■	■	■	□			□					□			3
7	■	■	■	■	■	■	□								□		□	2
8	■	■	■	■	■	■									□			2
9	■	■	■	■	■	■	□	□	□	□			□	□		□		2
10	■	■	■	■	■	■	□		□				□	□		□		2
11	■	■	■	■	■	■	□			□			□	□		□	□	1
12	■	■	■	■	■	■	□								□	□		1
13	■	■	■	■	■	■	□	□	□				□	□		□	□	1
14	■	■	■	■	■	■	□		□				□	□		□	□	1
15	■	■	■	■	■	■	□		□				□	□	□	□	□	2
16	■	■	■	■	■	■	□	□	□				□					3
17	■	■	■	■	■	■											□	2
18	■	■	■	■	■	■		□								□	□	2
19	■	■	■	■	■	■										□	□	1
20	■	■	■	■	■	■			□	□	□		□	□		□	□	2
21	■	■	■	■	■	■		□								□	□	1
22	■	■	■	■	■	■	□	□					□	□		□	□	1
23	■	■	■	■	■	■	□	□	□					□	□	□	□	1
24	■	■	■	■	■	■	□		□				□	□				2
25	■	■	■	■	■	■										□	□	3
26	■	■	■	■	■	■				□			□	□		□	□	2
27	■	■	■	■	■	■	□			□			□	□	□	□	□	1
28	■	■	■	■	■	■	□		□				□	□	□	□	□	2
29	■	■	■	■	■	■		□		□				□				3
30	■	■	■	■	■	■		□						□		□		3
31	■	■	■	■	■	■		□		□			□			□	□	2

Classification of exploration target anomalies by Murphy 2013 based on structural, alteration complexity, known geochemistry and proximity to intrusions/domal features and known veins. Candente have just started field followup of these anomalies.

An example of one of the 31 priority targets recently defined, Target 17: is characterized by a 100 azimuth (ESE-WSW) fault at the northern extent of the veins resulting in down-to-north offset of Cortaduras vein system in the north,; and an ESE-WNW fault in the south that may be down-to-south offset; high intensity field validated kaolinite-smectite-jarosite; underexplored veins to the NE; a new NNE trending 1.3m wide vein located in Target 17.

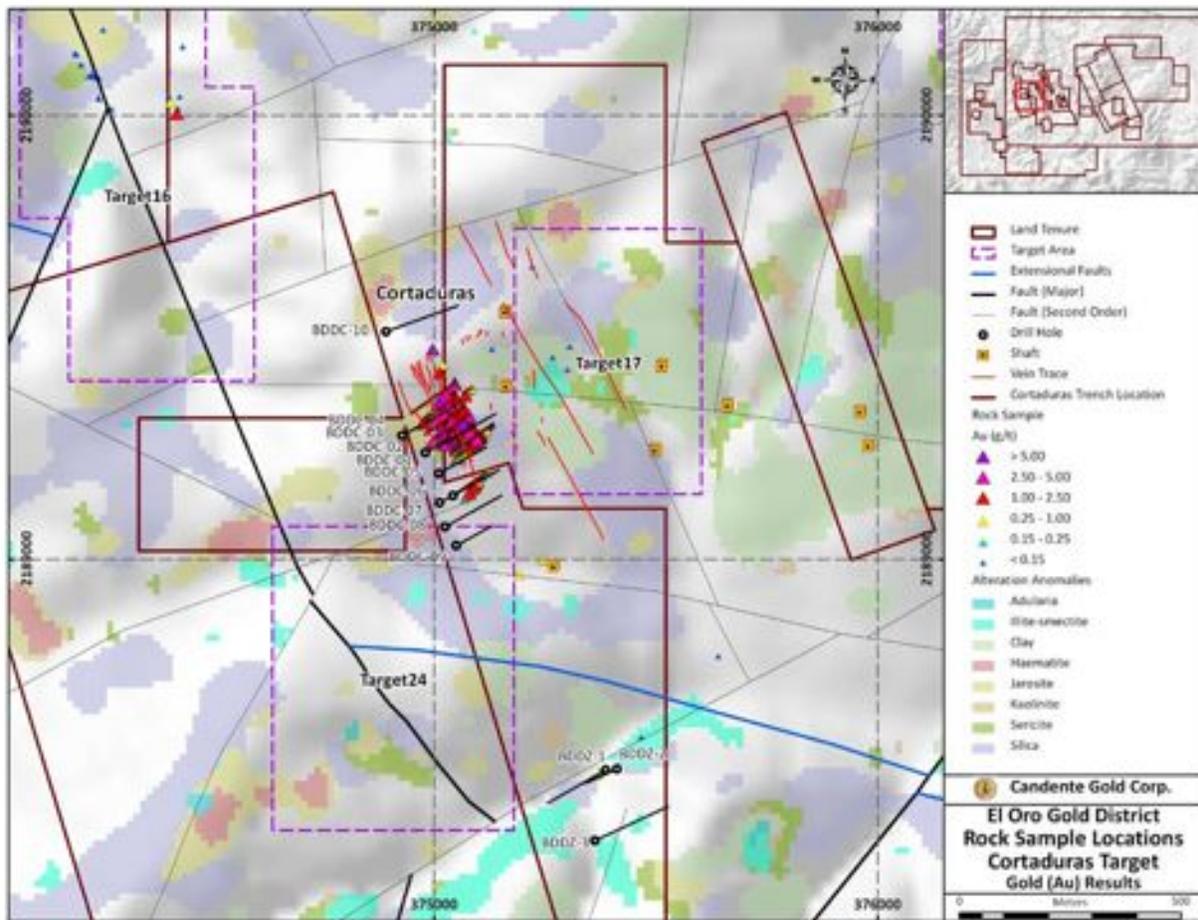


Figure 27: Cortaduras (Targets 24 and Target 17) Compilation (drill holes, major faults, surface geochemistry)

### Years 2010-2012:

Candente Gold Corp. started the rehabilitation of the San Rafael tunnels and investigated old workings. The Andrea Target is a low sulphidation epithermal style vein and breccia system outcrop coinciding with gold-silver-antimony geochemical anomalies in soils and an NSAMT (Natural Source Audio Magnetic Telluric) geophysical anomaly. The Andrea vein was discovered by Candente in 2006. Drilling of the Andrea vein tested the down dip extensions to the vein as well as any additional blind mineralized structures through a series of increasingly deeper holes from surface. The first and shallowest of these holes successfully intersected sulphidic quartz-calcite vein material and significant zones of argillic alteration within the volcanic units that overlie the sedimentary package that hosts the San Rafael and all other mineralized veins in the district. The second, deeper hole intersected mineralized quartz-calcite veins and fault structures within both the volcanic and sedimentary packages (*Candente Gold Corp., NR004, May 20, 2010*)

Both underground drilling and sampling have demonstrated high grades of gold and silver in vein remnants. Two samples collected 55 m apart vertically returned 14.92 grams per tonne ('g/t') gold and 117.00 g/t silver over 2.1m, and 14.64 g/t gold and 54.50 g/t silver over 2.5m. Mineralized backfill material sampled to date shows an average of 4.72 g/t gold and 53.49 g/t silver. The results support the historic gold and silver grades in a 1992 non 43-1010 compliant resource, a conceptual estimation of the potential tonnes and grade by Luismin SA de CV (now a subsidiary of Goldcorp). This resource contained 762,000 ounces of gold and 9,750,000 ounces of silver at an average grade of 3.44 g/t gold and 44.00 g/t silver in 6,888,620 tonnes within remnant hanging and footwall vein material as well as mineralized pillars and backfill. This mineralized material was left behind as a result of a historic mine cut-off grade of approximately 8 g/t gold.

### Rehabilitation of the San Rafael Underground Workings

To date, 520 metres of workings in the southern portion of the San Rafael vein system have been rehabilitated to provide access for underground drill stations. During this rehabilitation, chip channel sampling of altered and veined sidewall material and areas of backfill within the San Juan adits and its crosscuts totalled over 160 samples. A total of 17 samples of mineralized backfill material averaged 4.72 g/t gold and 53.49 g/t silver. Continued sampling and assaying of the material removed and encountered during the rehabilitation of the underground workings will continue throughout the San Rafael vein underground program.

Sampling of a 9m long portion of the San Rafael vein left in place in the Consuelo adit returned grades averaging 7.16 g/t gold and 33.00 g/t silver from 4 channel samples over 2.5 m each, including 14.64 g/t gold and 54.50 g/t silver from one of these 2.5m channel samples.

### Somera Tuff Target

Exploration included diamond drilling of the potentially bulk mineable Somera Tuff Unconformity Target where SR10-02A intersected 75 meters of 0.96 g/t Au (includes 16.73 g/t Au over 1.4 meters and 6.86 g/t Au over 4.6 meters. This target lies 200 meters laterally and above the San Rafael Vein system.

### The San Juan Underground Tunnel

The San Juan Tunnel was also rehabilitated however, technical difficulties hindered progress. The San Rafael Vein appears to have been 45 meters in width in this area.

### The Calera Vein Target

This target lies in the footwall of the San Rafael vein and was accessed via an old stope from the San Juan tunnel. Underground sampling by Candente Gold obtained gold and silver grades of 11.35 g/t gold and 66.00 g/t silver over 1.00 m. In 2010, a fan array of five holes (762 m) was drilled from underground (in the San Juan Adit) targeting the down-dip and strike extension of the Calera Vein below old workings. Gold and silver mineralization was found in three of the five holes including SJUG10-13 returning 0.70 meters grading 18.76 g/t Au and 104.30 g/t Ag.

### The Oriente Target

Several geological, geochemical, and geophysical targets with the potential to represent buried and previously unknown vein systems similar to San Rafael were identified at the Oriente Zone, which lies 1,000 to 4,000 meters east of the historic mining centres. These targets included linear features delineated by NSAMT geophysics coinciding with geochemical anomalies in soils and rocks and zones of alteration. Drilling failed to intersect any mineralization of economic interest in this area. In 2010 a total of 3,336.80 metres were drilled in 6 holes (ZO10-01 to 06). No additional drilling is planned in this area. In 2011, Candente Gold Corp. completed a 10,117.97 metre drill program in 28 core holes. A total of 8 of the 28 holes were lost due to difficult ground conditions. The drill program was based on Placer Dome's "A" Blocks that were created in 2003 using the underground sampling control from El Oro Mining and the creation of a grade model in Vulcan along the trace of the San Rafael Vein. Four zones along San Rafael Vein were targeted from south to north including: Providencia Shaft; Norte Shaft; Mexico Esperanza; and Buen Despacho.

A total of 18 of the 28 holes drilled (8 holes were lost in bad ground) intersected anomalous gold and silver mineralization. At the Tiro Providencia Zone, silver mineralization predominates over gold. The most attractive gold target to date is the Mexico Esperanza Area under Somera Tuff Hill, where the San Rafael Vein hosts high gold values to a vertical depth of over 500 meters.

### **Underground Exploration**

Rehabilitation of the Dos Estrellas adit opened access to stopes and areas of veining. These areas were mapped and sampled and are being considered for drilling.

The underground rehabilitation of the Dos Estrellas Adit was also completed to facilitate the underground sampling and drilling the Jesus del Monte Vein, Veta del Salto and Veta Verde hanging wall zone. In addition, detailed mapping and sampling was carried out at the Corona North, and the Borda - Corona Zones to generate future drill targets.

### **Jesus del Monte Vein Mapping and Sampling**

The Jesus del Monte vein in the Dos Estrellas level averages 1.0 m in width and is exposed over a 150m strike length. Results from the Jesus del Monte vein shows silver greater than gold with very high mercury values. The vein is structurally controlled and commonly displaced along strike. The results from the channel sampling program from the Jesus del Monte Vein shows traces to low Au grades, low to moderate silver grades (ranging from 5 to 130 gr/T) and high Hg grades as high as 5,300 ppb.

The results from this sampling program returned moderately high in silver and mercury suggesting that the Jesus del Monte adit has intersected the upper levels of an epithermal vein system. This would suggest that good potential exists below this adit where underground workings are notably absent.

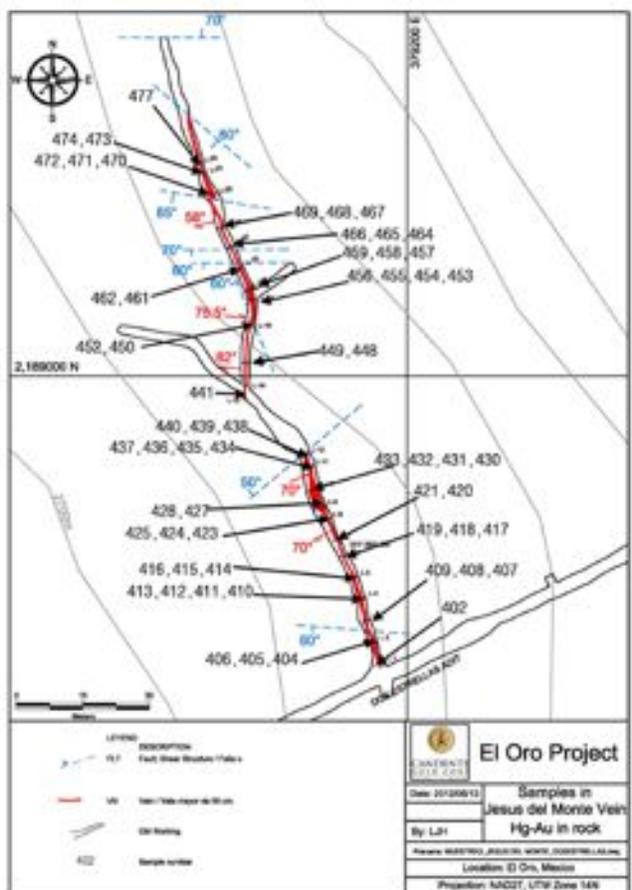


Figure 28: Location of the Sampling/Mapping from the Jesus del Monte Vein

Table 14: Underground Sample Assay Results Au g/metric, Ag g/T and Hg/ppb at the Jesus del Monte Vein

SAMPLE ID	AREA	LENGTH(m)	Au gr/Ton	Ag gr/Ton	Hg ppb
402	VETA JESUS DEL MONTE	0.50	0.012	6.80	565
404	VETA JESUS DEL MONTE	0.50	0.023	2.60	3853
405	VETA JESUS DEL MONTE	0.75	0.018	7.90	2463
406	VETA JESUS DEL MONTE	0.50	0.015	5.30	3553
408	VETA JESUS DEL MONTE	0.50	0.029	12.60	761
411	VETA JESUS DEL MONTE	0.60	0.022	9.10	1158
412	VETA JESUS DEL MONTE	0.60	0.008	4.20	598
415	VETA JESUS DEL MONTE	0.70	0.018	10.40	581
417	VETA JESUS DEL MONTE	0.80	0.035	4.10	4234
418	VETA JESUS DEL MONTE	0.40	0.024	11.60	2508
419	VETA JESUS DEL MONTE	0.80	0.046	9.80	4056
420	VETA JESUS DEL MONTE	0.50	0.028	4.50	1659
421	VETA JESUS DEL MONTE	0.60	0.057	17.70	5523
422	VETA JESUS DEL MONTE	0.50	0.081	13.50	1145
424	VETA JESUS DEL MONTE	0.40	0.149	50.30	2848
427	VETA JESUS DEL MONTE	0.55	0.112	25.20	349
428	VETA JESUS DEL MONTE	0.55	0.153	43.10	255
431	VETA JESUS DEL MONTE	0.90	0.386	130.00	1422
432	VETA JESUS DEL MONTE	0.90	0.157	6.10	624
433	VETA JESUS DEL MONTE	0.40	0.146	6.10	2188
435	VETA JESUS DEL MONTE	0.60	0.135	39.50	1785
436	VETA JESUS DEL MONTE	0.60	0.1	35.40	1479
437	VETA JESUS DEL MONTE	0.50	0.124	31.00	3503
438	VETA JESUS DEL MONTE	0.60	0.068	3.90	991
439	VETA JESUS DEL MONTE	0.85	0.028	12.70	110
440	VETA JESUS DEL MONTE	0.70	0.053	7.70	4792
441	VETA JESUS DEL MONTE	0.50	0.032	4.10	397
442	VETA JESUS DEL MONTE	0.30	0.011	11.80	16
444	VETA JESUS DEL MONTE	0.50	0.025	3.80	62
445	VETA JESUS DEL MONTE	0.15	0.013	6.80	48
449	VETA JESUS DEL MONTE	0.40	0.02	1.40	1349
450	VETA JESUS DEL MONTE	0.70	0.154	5.80	1007
451	VETA JESUS DEL MONTE	0.45	0.01	5.20	58
453	VETA JESUS DEL MONTE	0.30	0.031	9.80	554
454	VETA JESUS DEL MONTE	0.50	0.017	14.80	664
455	VETA JESUS DEL MONTE	0.50	0.022	9.70	1020
456	VETA JESUS DEL MONTE	0.40	0.056	19.40	451
457	VETA JESUS DEL MONTE	0.60	0.082	30.80	1803
458	VETA JESUS DEL MONTE	0.60	0.047	15.00	2819
459	VETA JESUS DEL MONTE	0.60	0.026	17.20	295
460	VETA JESUS DEL MONTE	0.35	0.043	18.30	106
461	VETA JESUS DEL MONTE	0.40	0.245	14.70	438
462	VETA JESUS DEL MONTE	0.30	0.281	119.10	643
464	VETA JESUS DEL MONTE	0.50	0.041	2.60	1070
465	VETA JESUS DEL MONTE	0.40	0.046	17.50	1032
466	VETA JESUS DEL MONTE	0.50	0.042	22.40	734
467	VETA JESUS DEL MONTE	0.30	0.06	16.70	671
468	VETA JESUS DEL MONTE	0.30	0.018	6.50	237
469	VETA JESUS DEL MONTE	0.60	0.135	10.20	2053
470	VETA JESUS DEL MONTE	0.70	0.065	20.70	1105
471	VETA JESUS DEL MONTE	0.75	0.087	61.20	965
472	VETA JESUS DEL MONTE	0.50	0.04	7.80	235
473	VETA JESUS DEL MONTE	0.40	0.041	10.00	795
474	VETA JESUS DEL MONTE	0.60	0.084	72.30	349
475	VETA JESUS DEL MONTE	0.60	0.024	12.50	111
477	VETA JESUS DEL MONTE	0.60	0.035	37.00	273

Results from the sampling program, suggest that there is good potential for a preserved epithermal Au-Ag mineralization directly below this level sampled. The Jesus del Monte vein is considered a medium priority drill target.

## **H. Del Salto Vein Underground Sampling**

In 2012, Candente Gold carried out a mapping and sampling program in the Veta del Salto Vein at the same level of Dos Estrellas adit where several narrow structures were mapped and sampled.

The results from these samples confirm than minor gold and high silver mineralization occurs in the vein, veinlets and in the surrounding host rocks. Future work on this vein could be complimentary to the work program at the Veta Verde Target area.

The higher Ag values (+326 ppm) confirms the historical data. The Veta del Salto Vein could be a detached portion of the Veta Verde Vein Target that could easily be confirmed with drill holes that test the vein at deeper levels. Future work at this vein could be complementary with the drilling program at Veta Verde.

### **Sampling and Mapping of the Veta H. del Salto and Dos Estrellas Underground Rehabilitation Work**

Table 15: Significant Assay Results in Au (g/T) and Ag (ppm = g/t) From the Veta H. del Salto

SAMPLE ID	LENGTH(m)	AREA	SAMPLE DESCRIPTION	Au gr/Ton	Agppm
480	0.50	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.015	1.60
481	0.30	DOS ESTRELLAS	WHITE QTZ + CA + AMETHYST QTZ + COLOIDAL QTZ VEIN.	0.016	2.60
482	0.50	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.035	2.20
483	1.00	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.228	150.20
484	0.10	DOS ESTRELLAS	COLLOFORM - CRUSTYFORM QTZ + DRUZY QTZ + WHITE QTZ VEIN.	0.005	0.40
485	0.85	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.027	1.80
486	0.25	DOS ESTRELLAS	COLLOFORM - CRUSTYFORM QTZ + DRUZY QTZ + WHITE QTZ VEIN.	0.139	5.20
487	1.25	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.01	1.40
488	1.25	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.044	16.70
489	0.50	DOS ESTRELLAS	WHITE QTZ + BLADED QTZ + OXIDES VEIN.	0.154	105.50
490	1.20	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.122	48.20
491	1.20	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.039	10.80
492	0.30	DOS ESTRELLAS	BLADED QTZ + COLLOFORM - CRUSTYFORM QTZ + OXIDES VEIN.	0.168	81.10
493	1.00	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.014	2.70
494	1.50	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.025	3.00
495	1.50	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.019	2.30
496	0.50	DOS ESTRELLAS	COLLOFORM - CRUSTYFORM QTZ + WHITE QTZ + DRUZY QTZ	0.479	326.30
497	1.20	DOS ESTRELLAS	METASEDIMENTARY UNIT, WHITE QTZ + DRUZY QTZ VEINLETS.	0.116	71.80

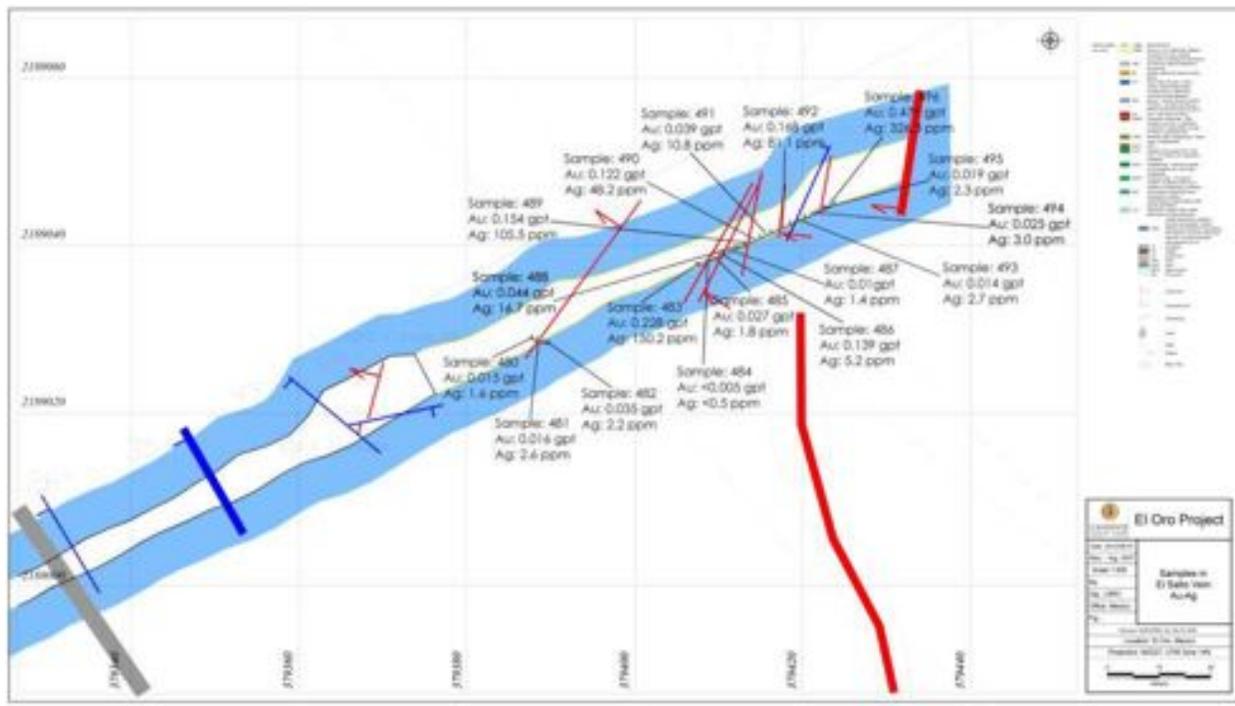


Figure 29: Assay Results: Au g/T and Ag (ppm) From the Veta H. del Salto

### Veta Verde, Dos Estrellas Adit Rehabilitation

The purpose of the rehabilitation of the Dos Estrellas Adit was to create safe conditions for the installation of drill pads that would be used to test Veta Verde at deeper levels. Unfortunately several factors impeded the progress of this work such as mechanical problems with machinery, inexperienced personnel and poor structural conditions.

The total advance of the rehabilitation work from the adit entrance was 520m, just beyond the Hilo del Salto Vein and 10 m inward from the Hilo del Salto stope. The only drill pad built for the future Veta Verde exploration program was made on the Veta H. del Salto stope.

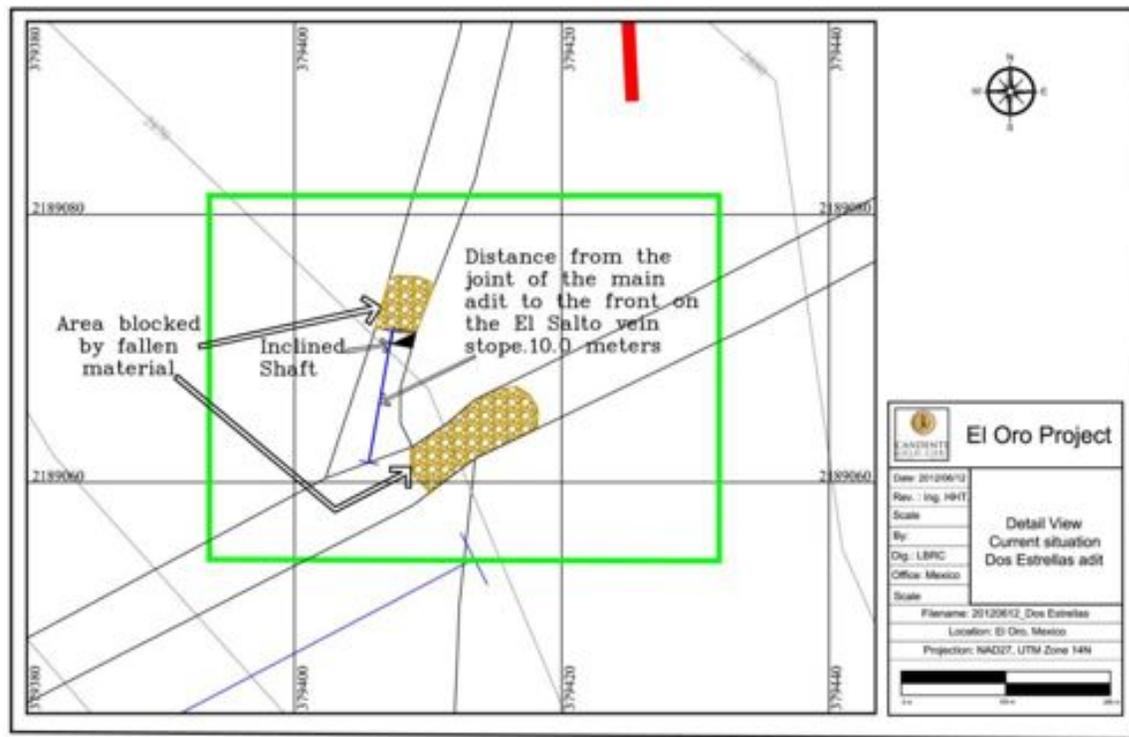


Figure 30: Map of the Drill Pad Location in Dos Estrellas Adit

### Borda - Coronas

The Borda - Corona areas are located approximately 1.0 km south of Tlalpuhaua Mich. The target area is comprised of a zone of altered metavolcanic and metasediment hosting several parallel veins that strike NW – SE with widths of between 0.4 to 2.0 meters.

Previous work on the Borda-Corona Zone reported an estimate from a historical record from the Spanish era to be \$200 million pesos. Other unknown authors suggest production estimates in Borda and Corona veins for the period from 1743 to 1751 to amount to US\$36 million. The area has been worked intermittently since the Spanish. In 1980, Luismin rehabilitated some of the oldest adits and workings including surveying and sampling the main structures from Borda and Corona Veins.

In 2007, Candente Gold Corp. drilled a total of 1047.65 m at the Corona Vein in 3 holes were and 1 hole into the Borda Vein. The best intersection was from hole VCR07-01 at the footwall of Corona vein returning 3.67 Ag/T and 60.3 Ag g/T over a 2.0m interval from a depth of 268.75 to 270.8 m.

Table 16: Candente Gold Corps. 2007 Drill Results for Borda and Corona

Hole ID	Name	From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)
VB-07-01	Veta Borda	262.45	262.95	0.5	0.014	0.30
VCR-07-01	Veta Corona	49.7	51	1.3	1.12	401.00
		223.15	228.1	4.95	0.453	42.12
		268.75	270.8	2.05	3.67	60.30
VCR-07-02	Veta Corona	109.1	111	1.9	0.04	6.90
		117.6	119.2	1.6	0.183	1.50
VCR-07-03	Veta Corona	13.05	14.3	1.25	0.421	0.60
		157.9	161.25	3.35	0.03	1.11
		180.15	180.85	0.7	0.259	283.00

In 2011 and early 2012, Candente Gold in 2011 began sampling and detailed mapping of the Borda – Corona area to better understand the geology and structural controls of the area in advance of drilling. In previous drill programs Candente Gold Corp., intersected the Corona Vein in Hole VCR 07-01 with weakly elevated gold and silver values. Holes VCR 07-02 and VCR 07-03 missed the structure which was collared close to a regional fault that displaced the Vein to the northwest from its original location. Drill Hole VB 07-01 intersected a narrow zone with weakly anomalous gold and silver values.

Mapping and Sampling at the Borda – Corona target provided Candente Gold Corp. with a better understanding of the mineralization and structural controls and the relation to known illite-smectite-budingtonite alteration. This area is highly complex structurally and should be mapped carefully for controlling and/or post mineral offsets.

From the work to date, the greatest potential is located right below the old workings which were developed to a shallow depth and along a NW-SE strike extension into an area of known illite-smectite alteration, which may be hanging wall alteration of the main structure. It was also apparent that the displacement direction was sinistrally to the west, and that the vein is further segmented by northeast-southwest striking normal faults. The fault trace has a sigmoidal geometry which is related to the “ore shoots” exploited by the old miners.

The current interest in the area is considered a high priority and should be drill-tested to test the down-dip extensions of the known ore shoots, and along the NW strike extension. Further work should be focused in the southeast where smectite-illite-budingtonite alteration has been identified, in addition to further assessment of areas covered by tertiary volcanic rocks.

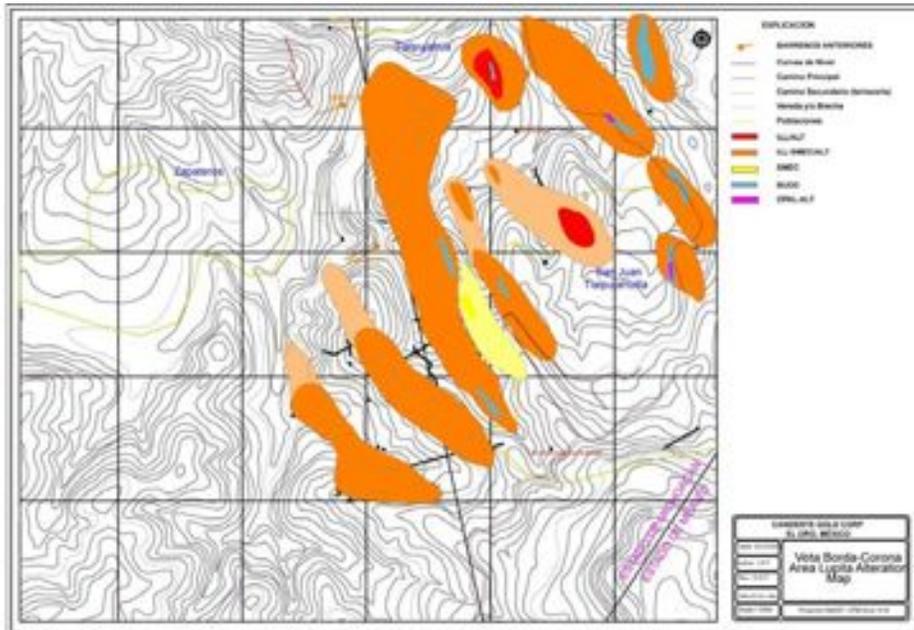


Figure 31: Alteration Map of Borda - Corona Target

Table 17: Surface rock sampling from Borda-Coronas Target

SAMPLE ID	ROCK SAMPLE DESCRIPTIONS	Au ppb	Agppm
5813	Santa Isabel dumps: white crusty Qz+bladed filling by lamellar Qz+coll Qz banding-Ag sulf.	4170	431.0
5814	Santa Isabel dumps: white crusty Qz+bladed filling by lamellar Qz & Oxides.	8730	201.0
5815	Santa Isabel dumps: white crusty Qz+bladed filling by lamellar Qz & Oxides.	<5	19.0
5816	Santa Isabel dumps: Bx text. Grey sil.+LUT+Py, micro vuggs filled by Oxides.	103	56.7
5817	Santa Isabel dumps: Bx text. Grey sil.+LUT+Py, micro vuggs filled by Oxides.	21	249.0
5818	Santa Isabel dumps: Bx text. Grey sil.+LUT+Py, micro vuggs filled by Oxides.	<5	15.7
5819	two 40cm veins out corping in adit, Azi=10°,Dip=70°SW: white crusty Qz+bladed filling by lamellar Qz+Py boxworks diss. 1%.	2380	37.0
5820	two 40cm veins out corping in adit, Azi=10°,Dip=70°SW: white crusty Qz+bladed filling by lamellar Qz+Py boxworks diss. 1%.	6080	25.1
5821	two 40cm veins out corping in adit, Azi=10°,Dip=70°SW: white crusty Qz+bladed filling by lamellar Qz+Py boxworks diss. 1%.	693	46.7
5822	two 40cm veins out corping in adit, Azi=10°,Dip=70°SW: white crusty Qz+bladed filling by lamellar Qz+Py boxworks diss. 1%.	1275	46.7
5823	Dumps: white crusty Qz+bladed filling by lamellar Qz+coll.Qz-Ag sulfides banding.	6560	995.0
5824	Dumps: white crusty Qz+bladed filling by lamellar Qz+coll.Qz-Ag sulfides banding.	3410	876.0
5825	Dumps: white crusty Qz+bladed filling by lamellar Qz+coll.Qz-Ag sulfides banding.	2150	218.0
5826	Adit covered Azi±=210°: Boulder, banded text. bladedQz+coll.Qz-blk sulfides+crustyQz.	329	110.0
5827	Adit covered Azi±=210°: Boulder, banded text. bladedQz+coll.Qz-blk sulfides+crustyQz.	376	163.0
5828	Caracol Adit E-W orient: 25cm vein out corping in,N-S, white crusty Qz+bladed filling by lam Qz+coll.Qz-Ag sulfides banding	2030	31.3
5829	Caracol Adit E-W orient: 25cm vein out corping in,N-S, white crusty Qz+bladed filling by lam Qz+coll.Qz-Ag sulfides banding	14	29.0
5830	Caracol Adit E-W orient: 25cm vein out corping in,N-S, white crusty Qz+bladed filling by lam Qz+coll.Qz-Ag sulfides banding	2450	19.8
5831	Sagrado corazon Shaft dumps:white crusty Qz+bladed filling by lamellar Qz+coll.Qz-Ag sulfides banding.	393	46.2
5832	Sagrado corazon Shaft dumps:white crusty Qz+bladed filling by lamellar Qz+coll.Qz-Ag sulfides banding.	3710	260.0
5833	Sagrado corazon Shaft dumps:white crusty Qz+bladed filling by lamellar Qz+coll.Qz-Ag sulfides banding.	868	420.0
5834	Eureka adit:Vein out corp at log of Azi=10°, Dip=70°SW, Lat Blad Qz+crustyQz+coll-sulf banding.	22	87.1
5835	Luz de Borda dumps:banding texture+comb Qz+Ox+Py,drusy Qz+bladed bands.	20	60.9
5836	Luz de Borda dumps:banding texture+comb Qz+Ox+Py,drusy Qz+bladed bands.	50	104.0
5837	Luz de Borda dumps:Bx text, with bladed Qz+cross-cut by mocro crusty qz=Py veinlets.	<5	2.7
5838	Luz de Borda dumps:Bx text, with bladed Qz+cross-cut by mocro crusty qz=Py veinlets.	112	39.6
5839	La Muerta adit:Vein,Lat Blad Qz+crustyQz+coll-sulf banding.	160	222.0
5840	La Muerta adit:Drusy Qz+Ox,Swarm stwk, hosted in LUT.	585	26.8
5841	white crusty Qz+Ox vein 80cm wide, outcorping Azi=215, hosted rock MVOL.	171	66.8
5842	Luz de Borda dumps:Bx text, with bladed Qz+cross-cut by mocro crusty qz=Py veinlets.	1695	247.0

## Coronas Norte

The Corona North Target is located 1.8 km on the NNW side of the town of Tlalpuhaua Mich. and is comprised of a zone of altered metavolcanic and meta-sediments coincident with illite-smectite clays, with narrow sections with narrow veinlets up to 20 cm in width. Outcrops of Tertiary Volcanic Rocks are exposed nearby.

Very little information is available for this zone and historically the structures proved to be difficult to follow. There are no known workings discovered on this target to date. Given the narrow width of the veins, this target is difficult to explore.

Candente Gold's 2011 detailed mapping and sample program in this area defined the probable extension of the Corona vein extension as well as the possible occurrence of the vein preserved at the top of the epithermal system.

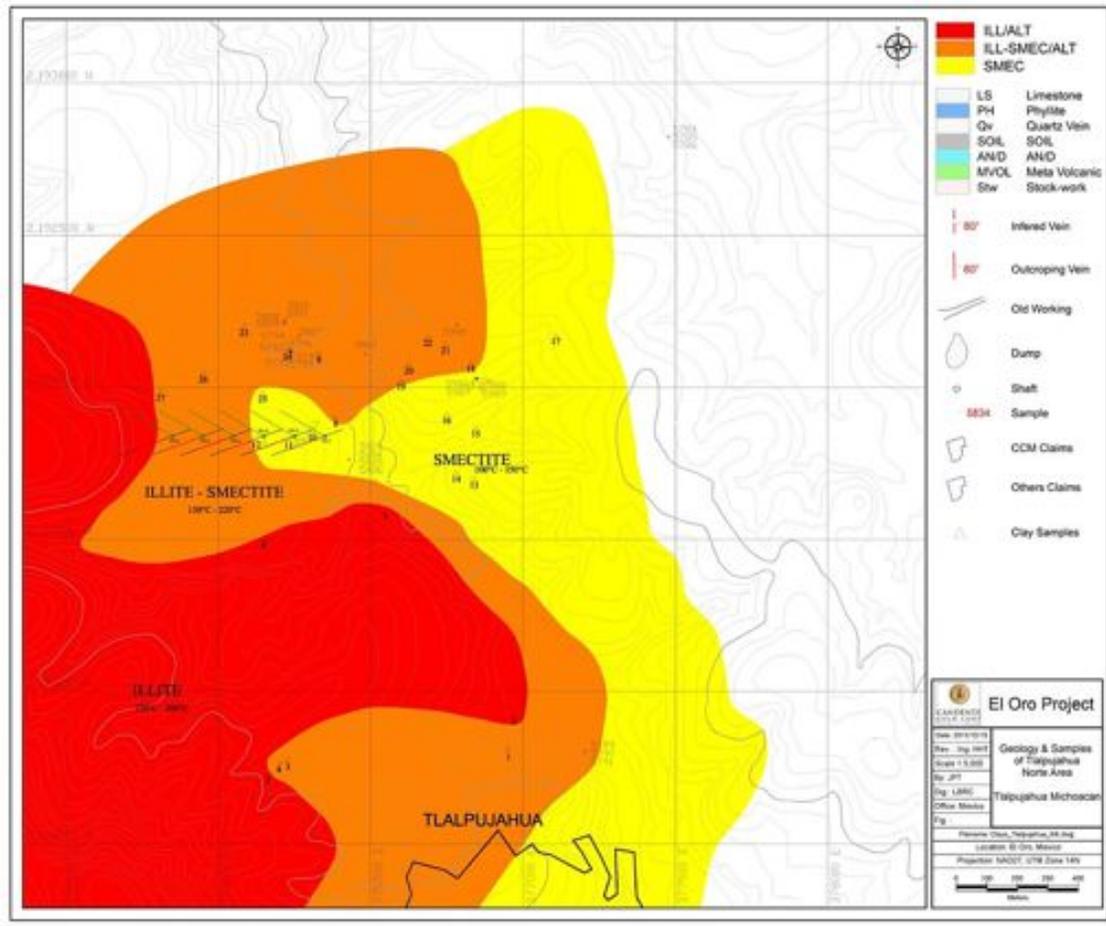


Figure 32: Alteration Map from the Corona North Target Area

Results from the detailing mapping and sampling program at Corona North justify a follow-up drill program. The main target in this area is the NW extension of the Corona vein which is likely preserved at a deeper level. The block that hosts the Corona vein structure is preserved and apparently did not suffer the same displacement from the regional faulting. The large number of veinlets and vein fragments found in the area are associated with illite-smectite alteration and form a distinctive pattern of veins that increase in abundance from other areas in the district. Corona North is currently a medium priority target and warrants further work.

## Other Target Areas defined by Geochemistry

Angelica and Nolan Vein Target: Drilling resulted in several narrow but high grade silver and gold intercepts lying in the hanging wall of the San Rafael vein: Angelica Vein (Veta Angelica) and Nolan Vein (Veta Nolan). These veins lie approximately 320 metres (“m”) (Angelica Vein) and 250m (Veta Nolan) vertically above the San Rafael vein. Results included 2.0 m of 30.66 g/t Au and 3.00 g/t Ag from 444.5m depth on the Angelica Vein and 0.5m of 2.41m and 372.0g/t Ag from 508.5m on the Nolan Vein (*Candente Gold Corp., NR017, dated May 3, 2011*).

Las Dos Estrellas: Underground rehabilitation was done on the Las Dos Estrellas tunnel, which intersects the Esperanza and Mexico Mine sections at a distance of 1,900m from the portal. Underground rehabilitation in the pre-existing Dos Estrellas access tunnel is ongoing, and has now advanced to 520m. The objective of reopening Dos Estrellas was to provide access for underground drill stations to test well below the historical underground workings in both the Verde and San Rafael veins using much shorter holes than would be required from surface drilling.

Somera Tuff Target: The Somera Tuff Target was previously recognized as a potential bulk mineable target. The area is variably mineralized, with enhanced fluid flow and was further assessed by a review of previous drill holes that were thought to have intersected this favourable lithologic unit (including SR03-01/01A/01B/02; VSR07-02/03 and VV07-01). Where intersected the tuff varies in width from 34 to 87 meters in thickness (*Candente Gold Corp., NR 017, dated May 3, 2011*)

Mexico-Esperanza Target: The Mexico-Esperanza area remains the strongest exploration target within the San Rafael vein system due to the presence of vertical controls to mineralization, the highest grades of past production (12-16 grams per tonne (“g/t”) over an average vein width of 10 metres), and recent discoveries.

In the Mexico-Esperanza area two high-grade intersections have been made in the San Rafael vein approximately 300m apart and 100m below the deepest old workings (SR11-001A from the current drill program and SR07-002 from the 2007 program). In addition, two other high-grade veins with minimal past production were intersected in the hanging wall above the San Rafael vein, and gold mineralization has also been discovered in the overlying pervasively altered Somera Tuff volcanic unit in this area.

Buen Despacho Target: A northern (lateral) extension to the San Rafael vein has been confirmed approximately 1,100 metres north of any historic production. The significant silver mineralization from drill holes SR10-001 and SR10-001-W1 included 230 g/t silver over 0.40m, 19 g/t silver over 2.80m, and 54 g/t silver over 1.00m (see Table 1), and was intersected well below the old shallow exploration workings. In this area, the San Rafael vein appears to have been down-dropped by faulting north of the Mexico-Esperanza mining area. The old shafts and tunnels were stopped approximately 90m above these new discoveries.

North (Norte) Shaft Target: In the North shaft zone, hole SR11-004-W1 intersected 315 g/t silver over 1.15m and 5.75 g/t gold and 14 g/t silver over 0.65m. SR11-004 intersected 7.7 g/t gold and 3.5 g/t silver over 0.80m.

Providencia Shaft Target: In the Providencia shaft area silver dominates over gold, with most holes intersecting high-grade silver values. SR11-007 intersected 523.6 g/t silver over 1.0m and SR11-009C intersected 176 g/t silver over 0.30m. Assays are pending from two additional holes in this area. In 2003, just north of this block, Placer Dome intersected 10.18 g/t gold and 48.75 g/t silver over 2.50m in hole SR03-004.

Dos Estrellas Tunnel Rehabilitation: Underground rehabilitation in the pre-existing Dos Estrellas access tunnel has now advanced to over 500 m. The objective of reopening Dos Estrellas was to provide access for underground drill stations to test well below the historical underground workings in both the Verde and San Rafael veins using much shorter holes than would be required from surface.

The Verde vein produced over 3 million ounces of gold equivalent at average grades of 12 g/t gold and 160 g/t silver between 1907 and 1924. The first underground drill station to test the Verde vein will be established in its hanging wall, approximately 500m into the Dos Estrellas tunnel, reducing the amount of rehabilitation needed before drilling can begin.

## DRILLING

In 2010, Candente Gold Corp's exploration program included six core holes totaling 3,336 meters, within the Zona Oriente located east of the San Rafael Vein, as well as two holes into the San Rafael Vein Target with a focus on the Esperanza Mine and the northern Buen Despacho segments of the vein totaling 2,266.75 meters. In addition, the underground rehabilitation of the San Juan adit enabled drilling of the San Rafael vein footwall zone as well as easier drill access to the Calera and Descubridora structures totaling 2,048.60 meters. The 2010 underground and surface drilling and sampling program defined high grades of gold and silver in a portion of the remaining vein mineralization defined by Luismin. Two samples collected 55 meters vertically apart returned grades of 14.92 g/t gold and 117.0 g/t silver over 2.1 meters and 14.64 g/t gold and 54.50 g/t silver over 2.5 meters. Select 2010, drill intercepts included 30.5 meters of 1.52 g/t gold and 32.9 g/t silver from a 25.00 meter depth; 15.5 meters of 1.33 g/t Au and 55.18 g/t silver from a 69.0 meter depth (including 6.5 meters of 2.82 g/t gold and 96.08 g/t silver, *Candente Gold Corp, NR008 dated September 14, 2010*). The drilling of the Zona Oriente target, located 1500 meters east of the San Rafael target intersected several narrow weakly mineralized structures with insufficient gold and silver mineralization.

In addition, the 2010 program discovered a potential bulk mineable target that is unconformity-related along the Somera Tuff, a dacitic ignimbrite with pumice/quartz vein/silica/tuff/quartz feldspar porphyry fragments that cap the underlying sedimentary rocks that host the San Rafael vein system. The best interval returned 54.7 meters of 1.17 g/t gold and 5.02 g/t silver coincident with an advanced argillic alteration signature of buddingtonite, illite and smectite clays.

Table 18: Candente Gold 2010 Oriente and San Rafael Surface Drill Hole Information

DDH ID	Location	NAD27z14Mx-UTME	NAD27z14Mx-UTMN	Elevation	Azimuth	Dip	Depth (m)
ZO10-001	Zona Oriente Norte-Andrea	382886.0	2192726.0	2695	30	-65	405.0
ZO10-002	Zona Oriente Norte-Andrea	382864.0	2192705.0	2695	30	-75	670.0
ZO10-003	Zona Oriente Norte-Andrea	382551.0	2192602.0	2709	60	-70	222.0
ZO10-004	Zona Oriente Norte-Andrea	382560.0	2192618.0	2709	60	-70	1029.2
ZO10-005	Zona Oriente Central	381988.0	2191538.0	2713	90	-70	476.6
ZO10-006	Zona Oriente Sur	384505.0	2190795.0	2713	60	-65	534.0
					<b>Subtotal</b>		<b>3336.8</b>
SR10-01	NW San Rafael-200m SW Reforma	379647.3	2191842.6	2688	80	-60	753.0
SR10-01W	NW San Rafael-200m SW Reforma	379647.3	2191842.6	2688	80	-60	261.0
SR10-01W2	NW San Rafael-200m SW Reforma	379647.3	2191842.6	2688	80	-60	272.0
SR10-02	San Rafael-Mexico Mine	380407.0	2190270.0	3012	60	-70	169.5
SR10-02A	San Rafael-Mexico Mine	380407.0	2190270.0	3012	58	-68	610.0
SR10-02W1	San Rafael-Mexico Mine	380407.0	2190270.0	3012	58	-68	206.0
SR10-03	NW San Rafael-200m SW Reforma	380407.0	2190270.0	3012	70	-68	430.0
<b>Subtotal</b>							<b>2701.5</b>
<b>TOTAL METERS</b>							<b>6038.3</b>

Table 19: Candente Gold's 2010 Underground Drill Hole Information (Calera and Descubridora Targets)

Hole ID	El Oro San Rafael Target Area	NAD27z14Mx-UTME	NAD27z14Mx-UTMN	Elev. (m)	Azimuth	Dip	Depth (m)
SJUG10-001	San Rafael V-San Juan Adit, Level 0 ft	381443.0	2189025.0	2710.5	310	0	27
SJUG10-002	San Rafael V-San Juan Adit, Level 0 ft	381443.0	2189025.0	2710.5	310	45	40.5
SJUG10-003	San Rafael V-San Juan Adit, Level 0 ft	381443.0	2189025.0	2710.5	310	-62	250.5
SJUG10-004	San Rafael V-San Juan Adit, Level 0 ft	381446.0	2189021.0	2710.5	260	0	55.5
SJUG10-005	San Rafael V-San Juan Adit, Level 0 ft	381445.0	2189022.0	2710.5	272	0	19
SJUG10-006	San Rafael V-San Juan Adit, Level 0 ft	381445.0	2189022.0	2710.5	272	-30	84.6
SJUG10-007	San Rafael V-San Juan Adit, Level 0 ft	381443.0	2189016.0	2709.6	230	0	35.5
SJUG10-008	San Rafael V-San Juan Adit, Level 0 ft	381443.0	2189016.0	2709.6	200	0	45.6
SJUG10-009	San Rafael V-San Juan Adit, Level 0 ft	381443.0	2189016.0	2709.6	200	-30	129
SJUG10-010	San Rafael V-San Juan Adit, Level 0 ft	381443.0	2189016.0	2709.6	200	30	51
SJUG10-011	San Rafael V-San Juan Adit, Level 0 ft	381444.0	2189017.0	2709.6	180	-45	242
SJUG10-012	San Rafael V-San Juan Adit, Level 0 ft	381746.5	2189182.4	2706.0	65	-70	175.5
SJUG10-013	San Rafael V-San Juan Adit, Level 0 ft	381746.5	2189182.4	2695.0	65	-45	153
SJUG10-014	San Rafael V-San Juan Adit, Level 0 ft	381746.5	2189182.4	2695.0	100	-45	174
SJUG10-015	San Rafael V-San Juan Adit, Level 0 ft	381746.5	2189182.4	2695.0	100	-45	100.5
SJUG10-016	San Rafael V-San Juan Adit, Level 0 ft	381746.5	2189182.4	2695.0	30	-70	159
SJUG10-017	San Rafael V-San Juan Adit, Level 0 ft	381614.6	2189120.0	2706.5	60	-75	162
SJUG10-018	San Rafael V-San Juan Adit, Level 0 ft	381614.7	2189118.8	2695.0	111.7	-75	93
SJUG10-019	San Rafael V-San Juan Adit, Level 0 ft	381613.0	2189120.9	2706.5	15.5	-75	51
<b>TOTAL</b>							<b>2048.2</b>

In 2010, a total of 520 meters of underground workings from the southern portion of the San Rafael vein system were also rehabilitated by Candente Gold. During this work program 160 rock samples from exposed vein sidewall material and mineralized backfill were sampled. The backfill material returned an average of 4.72 g/t gold and 53.49 g/t silver (*Candente Gold Corp, NR010 dated February 9, 2011*). In 2011, Candente Gold completed a 10,117.97 meter drill program in 28 core holes. The drill program was based on Placer Dome's "A" Blocks that were created in 2003 using the underground sampling control from El Oro Mining and from the creation of a grade model along the trace of the San Rafael Vein. Four zones along San Rafael vein system were drill targeted from south to north including: Providencia Shaft Zone; Norte Shaft Zone; Mexico Esperanza Zone; and the Buen Despacho Zone. Major Drilling de Mexico, S.A. de C.V. ("Major") and BDW Drilling de Mexico, S.A. de C.V. (BDW) were contracted to carry out the 2011 drilling program, Major supplied from March to November of 2011 a two named Major-50 drill rigs capable of performing diamond drilling with PQ, HQ and NQ diameters of drill roads for surface drilling. From March to July of 2011, BDW supplied an LF90 drill rig capable of performing diamond drilling with PQ, HQ and NQ diameter core and provided drill roads for surface drilling.

A total of 18 of the 28 holes drilled (8 holes were lost in bad ground due to faulting and friable shales) intersected anomalous gold and silver mineralization. At the Tiro Providencia Zone, silver mineralization predominates over gold suggesting a differing paleo-level of exposure in a unique fault block or differing mineralization events; one dominated by gold-silver in electrum, and the second dominated by silver sulphides. One of the most attractive gold

targets to date is the Mexico Esperanza Zone under the Cerro Somera Tuff or ignimbrite, where the San Rafael Vein hosts high gold values to a vertical depth of over 500 meters.

Table 20: Candente Gold's 2010 Drill Hole Information

Database DDH ID	Location	NAD27z14Mx- UTME	NAD27z14Mx- UTMN	Elevation	Azimuth	Dip	Depth(m)
SR11-001A	El Oro Mexico/Cerro Somera	380444.00	2190271.00	2990.00	60	-73	819.0
SR11-002	San Patricio Shaft	380778.97	2189350.78	2820.00	65	-65	549.0
SR11-003 #	San Patricio Shaft	380778.18	2189350.38	2820.00	65	-68	918.0
SR11-003 W1*	San Patricio Shaft	380778.18	2189350.38	2820.00	65	-66	387.5
SR11-003 W2*	San Patricio Shaft	380778.18	2189350.38	2820.00	65	-65	304.0
SR11-004 #	San Patricio	381008.47	2189302.04	2820.00	61	-70	707.1
SR11-004 W1*	San Patricio	381008.47	2189302.04	2820.00	61	-68	295.7
SR11-005	San Patricio	381008.47	2189302.04	2820.00	61	-80	663.4
SR11-006	San Patricio	381008.47	2189302.04	2820.00	0	-90	688.9
SR11-007	HW of San Rafael Vein	381170.26	2188859.65	2850.00	50	-65	481.6
SR11-008	San Patricio	381008.47	2189302.04	2820.00	61	-75	536.5
SR11-009-C #	HW of San Rafael Vein	381170.26	2188859.65	2850.00	43	-62	469.4
SR11-009C-W1*	HW of San Rafael Vein	381170.26	2188859.65	2850.00	43	-60	155.9
SR11-009C-W2*	HW of San Rafael Vein	381170.26	2188859.65	2850.00	43	-58	146.4
SR11-010 #	San Patricio	381008.47	2189302.04	2820.00	70	-70	460.3
SR11-010-W1*	San Patricio	381008.47	2189302.04	2820.00	70	-65	345.6
SR11-011 #	HW of San Rafael Vein	381170.26	2188859.65	2850.00	42	-82	417.9
SR11-011-W1*	HW of San Rafael Vein	381170.26	2188859.65	2850.00	42	-80	372.7
SR11-012 #	Cerro Somera (hole lost)	380359.00	2190256.00	2980.00	58	-82	341.4
SR11-012-W1*	Cerro Somera (wedge lost)	380359.00	2190256.00	2980.00	58	-82	40.0
SR11-012-W2*	Cerro Somera	380359.00	2190256.00	2980.00	58	-82	696.7
SR11-012-W3*	Cerro Somera	380359.00	2190256.00	2980.00	58	-82	147.8
<b>TOTAL</b>							<b>9944.5</b>

# Note: depicts initial pilot hole

\* Note: depicts wedge hole from initial pilot hole

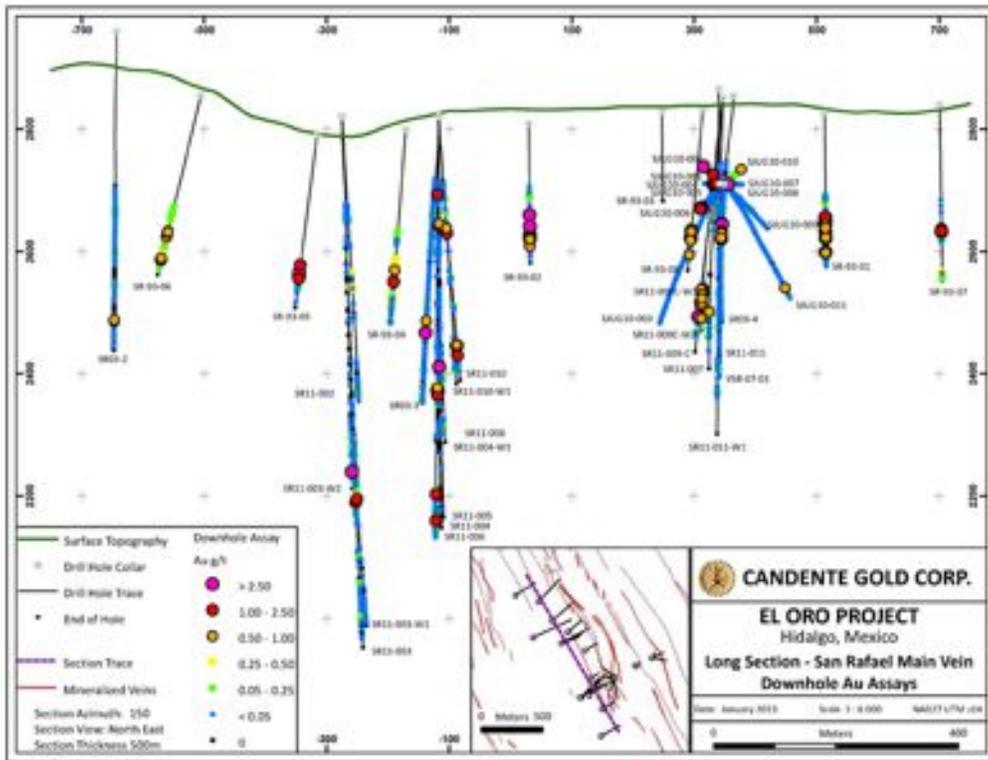


Figure 33: San Rafael Drill hole Long Section (Au g/t)

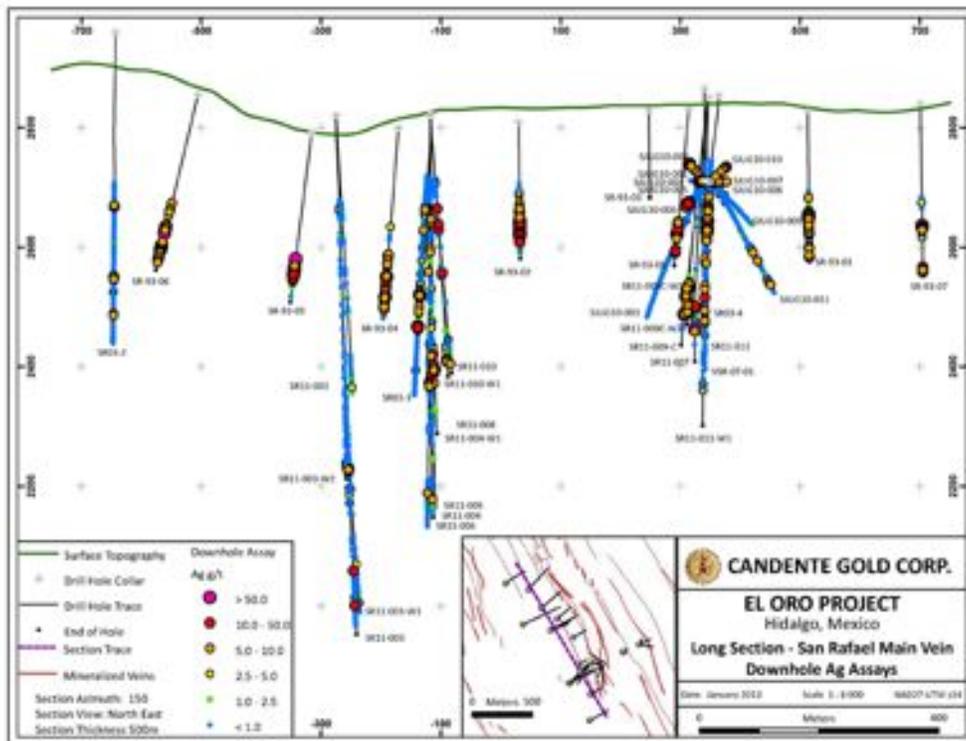


Figure 34: San Rafael Drill hole Long Section (Ag g/t)

Table 21: Significant Results from the Candente Gold San Rafael 2010-2011 Drilling

San Rafael Vein Target - Drill Results Ending November 2011									
Hole ID	Length(m)	Intersection	Other Intersections	From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)	
SR10-001	753.0	512.00 to 512.60m		512	512.6	0.6	0.03	54.0	
SR10-001W1	260.0	501.80 to 502.40m; 513.80 to 516.60		501.8	502.4	0.6	0.02	230.0	
				513.8	516.6	2.8	0.07	19.3	
SR10-001W2	272.0	543.93 to 544.45 m		No Significant Results					
SR10-002	169.5	Hole deviation		Abandoned Hole					
SR10-002A	610.0	603.00 to 610.00 partial vein		Somera Tuff	373.1	448	74.9	0.96	5.1
				Nolan Vein	413.9	418.5	4.6	6.85	17.6
				Negra Vein	503.3	503.9	0.6	18.14	137.0
				Lost in old workings	603	610	7.0	2.95	20.0
SR10-002-W1	206.0			Somera Tuff	391	460.2	69.2	1.06	7.9
				Nolan Vein	508.5	509	0.5	2.41	372.0
		Lost Hole before SR Vein		Lost Hole before SR Vein					
SR10-003	430.0	Hole suspended		Hole suspended					
SR11-001	51.0	Hole deviation		Lost Hole					
SR11-001A	819.0	699.30 to 702.30m	Nolan Vein	444.5	446.35	1.9	30.65	3.0	
				699.3	702.3	3.0	13.69	6.5	
SR11-001A-W1	45.5	Hole deviation		Abandoned Hole					
SR11-002	549.0	Lost hole in old workings		Lost Hole					
SR11-003	918.0	624.00 to 632.00m		No Significant Results					
SR11-003-W1	387.5	624.00 to 632.00m		664.8	665.7	0.9	1.04	3.0	
SR11-003-W2	330.0	618.85 to 629.40m		620.2	621.8	1.6	3.83	4.5	
SR11-004	707.1	446.25 to 461.10m		431.5	432.3	0.8	7.7	3.5	
SR11-004-W1	295.7	448.00 to 457.10m		449.95	451.1	1.2	0.07	315.0	
SR11-005	663.4	505.60 to 516.75m		No Significant Results					
SR11-005-W1	1.0	Hole deviation		Abandoned Hole					
SR11-006	688.9	609.82 to 661.00m		617.3	617.96	0.7	1.28	1.0	
				660.64	660.96	0.3	1.16	2.0	
SR11-007	481.6	377.90 to 427.00m	Inter vein parallel to drill	423.6	424.6	1.0	0.07	523.6	
SR11-008	536.5	465.00 to 474.50m		465.47	466.12	0.7	5.75	14.0	
				473.78	474.6	0.8	2.06	7.0	
SR11-009	51.2	Hole deviation		Abandoned Hole					
SR11-009a	12.7	Hole deviation		Abandoned Hole					
SR11-009b	12.2	Hole deviation		Abandoned Hole					
SR11-009c	469.4	363.00 to 419.60m	Intercept of vein parallel to drill hole	142.5	144.15	1.7	1.12	3.5	
				377.8	378.9	1.1	0.6	65.5	
				405.6	406	0.4	3.1	1.5	
				412	412.3	0.3	0.3	176.4	
SR11-009c-W1	155.9	361.50 to 364.70m partial	Lost in old workings	363.7	364.7	1.0	1.78	84.0	
SR11-009c-W2	146.4	356.95 to 413.35m		Pending					
SR11-010	460.3	399.01 to 415.96m		Pending					
SR11-010-W1	345.6	439.65 to 445.45m		Pending					
SR11-011	417.6	Hole lost in a fault		Lost Hole					
SR11-011-W1	372.7	472.96 to 485.40m		Pending					
SR11-012	341.4	Hole lost in Somera Tuff	ST @ 317.19-341.40m	Pending					
SR11-012-W1	40.0	Hole lost in Somera Tuff	ST @ 317.19- 350.52m	Pending					
SR11-009C-W2	146.4	not targeted	356.95 to 413.35	367.15	371.2	4.1	0.78	17.8	
				367.95*	371.20*	3.3	0.83	19.2	
				389.65	390.14	0.5	3.7	15.0	
				411.48	414.2	2.7	0.26	23.9	
SR11-010	460.3	not targeted		282.6	283.5	0.9	0.11	24.5	
			399.01 to 415.96	400.78	401.2	0.4	3.93	3.5	
				417.91	418.7	0.8	2.31	1.0	
SR11-010-W1	345.6	not targeted		168	169.9	1.9	0.24	18.0	
				206	206.45	0.5	1.62	20.0	
			439.65 to 445.45	439	443.35	4.4	0.07	18.4	
				445.76	448.6	2.8	0.07	1.7	
SR11-011	417.6	not targeted	not intersected	hole lost - no samples assayed					
SR11-011-W1	372.7	not targeted	472.96 to 485.40	no significant results					
SR11-012	341.4	317.19 to 341.40	not intersected	hole lost in Somera Tuff - no samples assayed					
SR11-012-W1	40.0		not intersected	hole lost in Somera Tuff - no samples assayed					
SR11-012-W2	696.7	316.85 to 379.65		345.2	410.5	65.3	0.3	1.9	
				378.55*	410.50*	32.0	0.4	2.1	
				387.15*	400.20*	13.1	0.6	2.1	
				393.40*	400.20*	6.8	0.8	2.7	
			874.65 to 901.60	874.65	901.6	27.0	0.55	2.3	
				874.65*	877.05*	2.4	4.45	2.3	
				874.65*	876.25*	1.6	6.16	3.0	
				957.07	957.55	0.5	0.43	37.5	
SR11-012-W3	147.8		not intersected	no significant results					

\*Included in the interval above

## ***SURFACE DRILLING***

### **San Rafael Surface Drilling (Cerro Somera)**

Drilling from the top of Cerro Somera commenced in November 2010 and proceeded into 2011, in order to drill the down dip extension of San Rafael vein within the Esperanza section of the vein where historic grades indicated that high grades (>50 g/t gold) remained below the deepest working levels.

This drilling from the top of Somera hill is difficult, previous drilling at this location by Placer in 2003 led to all three drill holes (SR03-01/01A and 01B) being abandoned before hitting target depths. These poor drilling conditions are due to a lack of water return and the well jointed nature of the post-mineral volcanic results in slow drilling rates.

The 2011 surface drill program was focused on surface drill testing the deeper levels of the San Rafael gold-silver vein system. The results indicated that additional gold and silver mineralization has been intersected well below the historical workings of the San Rafael Vein on the El Oro gold project, Mexico. Drilling by Candente Gold, has now shown that the San Rafael Vein extends over a minimum strike length of 3.5 kilometres and to a depth of 500 meters vertically.

Hole SR11-012-W2, which was the deepest San Rafael Vein intersection to date, intersected 26.95 metres of vein material from 874.65 to 901.60 metres, approximately 194 metres below drill hole SR11-001A and 301 metres below the historic production workings of the Mexico-Esperanza mines area.

Assays from SR11-012-W2 include 0.55 g/t gold over the full 26.95 metre section, and higher grade zones within this interval including 6.16 g/t gold over 1.60 metres.

The Mexico-Esperanza area is an excellent exploration target within the San Rafael Vein system as well as proximal, stacked hanging wall veins and the unconformity-related gold target in the overlying volcanic tuff unit.

Three separate high-grade intersections of the San Rafael Vein, SR11-001A and SR11-012-W2 from current drilling, and SR07-002 from 2007 drilling indicate the continuation of mineralization at depth below the deepest historic workings. These intersections, combined with three high grade gold and silver intersections (SR10-002A, SR10-002-W1 and SR11-001A in hanging wall veins) indicate a strong vertical control to mineralization. The disseminated mineralization in the overlying Somera Tuff (SR-11-001A) indicates lateral fluid flow along a horizontal control.

The Mexico-Esperanza area also had the highest grades of historic production (12-16 grams per tonne gold over an average vein width of 10 metres). The multiple intercepts in a single drill hole demonstrates that the veins are either repeated (due to faulting) and/or form a stacked mineralizing system.

Varying assemblages of anomalous levels of base and precious metals were encountered at various depths within the San Rafael vein system, and show no pattern related to increasing depth. Given that typical low sulphidation epithermal systems precipitate gold at their highest levels (the boiling zone), then silver, and then base metals towards the bottom of a system, this is further evidence that the San Rafael system has experienced multiple overlapping pulses of mineralization (*Candente Gold, NR 020 dated February 14, 2012*).

### Location of the 2010/2011 Drilling Program

Two further boreholes were drilled from the hole of Somera hill to try to intersect the Esperanza section of the San Rafael vein.

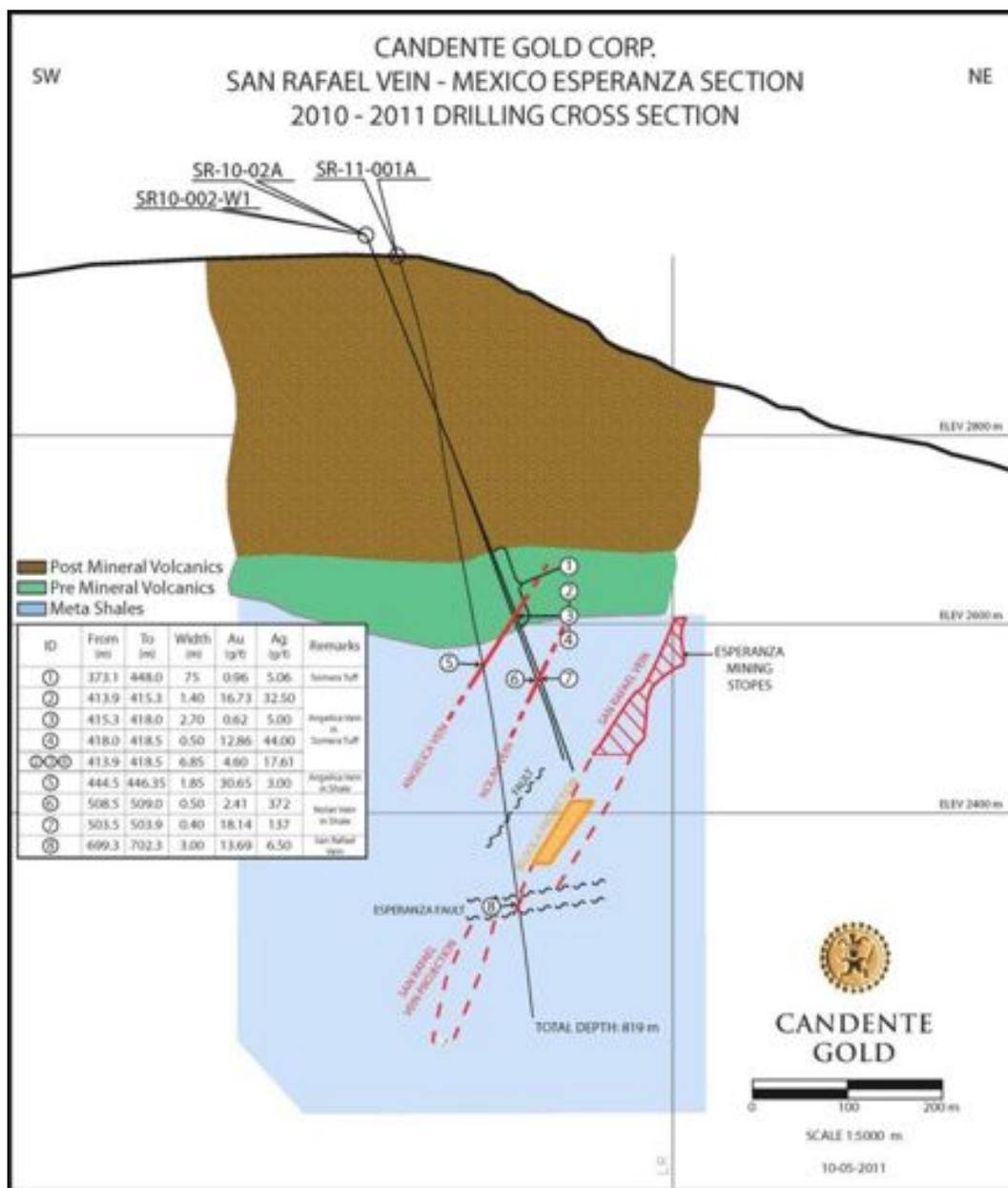


Figure 35: Somera Tuff 2011 Surface Drill Section Targeting San Rafael Veins

Angelica and Nolan Vein Target: Drilling resulted in several narrow but high grade silver and gold intercepts lying in the hanging wall of the San Rafael vein: Angelica Vein (Veta Angelica) and Nolan Vein (Veta Nolan). These veins lie approximately 320 metres (“m”) (Angelica Vein) and 250m (Veta Nolan) vertically above the San Rafael vein. Results included 2.0 m of 30.66 g/t Au and 3.00 g/t Ag from 444.5m depth on the Angelica Vein and 0.5m of 2.41m and 372.0g/t Ag from 508.5m on the Nolan Vein (*Candente Gold NR 017, dated May 3, 2011*).

Table 21: Drill hole results

Drill Hole No.	From (m)	To (m)	Width (m)	Gold (g/t)	Silver (g/t)	Remarks
SR11-001A	444.50	446.50	2.00	30.66	3.00	Angelica vein
SR11-001A	699.30	702.30	3.00	13.7	6.5	San Rafael vein
SR10-002A	503.50	503.90	0.40	18.14	137.00	Nolan vein
SR10-002A-W1	508.70	509.00	0.30	2.41	372.00	Nolan vein

### ***SAMPLING METHOD AND APPROACH***

All drill supervision, logging and sampling was conducted by Candente Gold personnel and geologists.

#### **Sampling**

All drill supervision, logging and sampling was conducted by Candente Gold personnel and geologists. Humberto Hernandez is the General Manager of Minera CCM, S.A. de C.V. (the Mexican subsidiary of Candente Gold).

The drilling of the El Oro property – San Rafael Vein Zone was initially drilled using HQ diamond core from the collar, however, but due to poor ground conditions and the severely broken nature of the Somera Tuff Volcanic cover, larger diameter PQ size core was used for drilling the cover rocks. In addition, drill additives including a Baroid Bentonite Pellet additive mixture was utilized to enhance core recovery and to stabilize the drill allowing an easy reduction to HQ size core at depth.

The overlying post mineral Tertiary rocks were drilled with larger diameter PQ core and were not sampled. Once the hole reached the pre-mineral suite of rocks, typically sediments, and good ground conditions were encountered, the core diameter was reduced to HQ and sampling was initiated in zones of favourable alteration/veining and silicification. In earlier programs, the entire pre-mineral and sediment package was sampled but as the geology became better understood the sampling was reduced to the unique and mineralized vein/alteration and enclosing vein contact zones were sampled in detail.

The drill core was selectively sampled, based on the existing knowledge of known sand favourable mineralization and alteration. Sample intervals were not less than 25 cm and were no more than 4.0m in length unless there was excessive core loss due to faulting and/or old workings and voids.

The core was transported by truck from the drill sites to the main Candente Gold office base in the town of El Oro under the supervision of the project geologist. In El Oro, drill core was logged/photographed and marked by Candente Gold geologists and core was cut using a rock saw by a Candente Gold trained technician. Half of the core samples were submitted to the assay laboratory for analysis while the remainder was stored in core boxes for future reference at the secure core storage facility on site. Sample descriptions and core recoveries were completed before the core was cut.

Channel and grab sampling of the sidewalls from coincident underground workings as well as collection of back and stope fill samples were collected under the supervision of Candente Gold geological staff. Samples were collected in 2kg Tyvex cloth and plastic sample bags and were marked with a unique and sequential sample number and a coincident sample number ticket was inserted into each of the sample bags. The bags were then sealed at the point of collection/sampling. Once the sample bags were sealed, the samples were transported to Candente Gold's secure core sampling facility in the town of El Oro.

Core recovery from drilling was typically very good with overall core recovery exceeding 90%. Core recovery within the target quartz veins was acceptable and typically was >90% however, core recoveries at the contact of the volcanics and sediments at times was significantly lower (typically <90% and as poor as 46% recovery).

The samples collected to date are considered representative of the material and or zones sampled and no bias has been observed from sampling or assay results. Gold and silver grades hosted within quartz vein type deposits can be variable, and as a result a large numbers of samples and assays will be required to confirm potential tonnes and potential grades of the El Oro San Rafael Vein system.

There was no on-site sample preparation done except for core cutting. Half of each core sample was placed into a labeled sample bag and then sealed. Up to 6 sample bags (half core or rock chip samples - each sample type having a differing sample number sequence of letters/numbers) were then placed in larger 'rice bags' and marked and sealed with numbered security ties under Candente Gold geological supervision. The samples were collected from site by Inspectorate personnel and transported to their sample preparation facility at Durango, Mexico. The on-site drill core cutting was performed by Candente Gold employees. No other Candente Gold personnel were involved in any aspect of the sampling preparation.

All rock and core samples were shipped in batches to the Inspectorate, an internationally recognized assay service provider. The Inspectorate laboratory is a certified laboratory by the Standards Council of Canada Associated Laboratories. Sample preparation was done in Durango, Mexico and assay analyses were done in Reno, Nevada U.S.A. A sample list was included with each shipment, and the laboratory confirmed the sample list upon sample arrival at its destination.

In the Inspectorate preparation laboratory, samples were dried, crushed and sieved, and pulps were shipped to Reno. In Reno the samples were analyzed using the following geochemical procedures:

- 4 acid digestion - previous work by Placer highlighted that due to the fineness of the gold there is at times silica encapsulation.
- 30 element ICP.
- Gold by Fire Assay Atomic Absorption (“AA”) 2AT - 50 g
- Gold by Fire Assay with Gravimetric finish for samples >10g/t gold
- Silver by Fire Assay with Gravimetric finish for samples > 100 g/t silver
- Mercury by Cold Vapour AA.

The drilling of the El Oro Property – Oriente Zone was initially performed using HQ diamond core drilling from collar to base of hole, but following the abandonment of hole ZO10-03 due to poor ground conditions a large diameter PQ size was used for drilling the volcanics to an average depth of approximately 220m. Additional modifications were made and a more intensive Baroid Bentonite/Pellet additive system was implemented. This along with more stable near surface and drill hole wall ground conditions allowed reduction to HQ size core at depth.

The overlying post mineral Tertiary rocks were drilled using the PQ core and no sampling was undertaken. Once the hole reached the pre-mineral suite of rocks and good ground conditions were encountered, the core diameter was reduced to HQ and sampling initiated in zones of alteration/veining and silicification. Initially, the entire pre-mineral and sediment package was sampled but as the geology became better understood the sampling was reduced to the vein/alteration and contact zones.

The core was sampled selectively based on existing knowledge of the geology and known zones that are anticipated to be mineralized based on previous mining. Only quartz veins and the adjacent wallrock were sampled. Sample intervals were not less than 25 cm and not more than 4.0m unless there was excessive core loss and/or old workings/voids intersected.

The core was transported by truck from the drill sites to the main Candente Gold base in El Oro under the supervision of the project geologist. In El Oro, drill core was logged/photographed and marked by Candente Gold geologists and cut using a rock saw by a Candente Gold trained technician. Half of the core samples were submitted to the assay laboratory for analysis while the remainder were stored in core boxes for future reference at the core storage facility on site for future reference.

Sample descriptions and core recovery were completed before the core was cut.

Channel and grab sampling of the sidewalls underground as well as collection of back and stopefill samples was all conducted under the supervision of Candente Gold geological staff. Samples were collected in tyvek 2kg sample bags and marked and a sample ticket inserted then sealed at the point of collection/sampling. Once sealed the samples were transported to Candente Gold secure core sampling facility in El Oro.

Core recovery from drilling was typically very good with overall core recovery over 90%. Core recovery within the target quartz veins was acceptable (>90%) whereas core recoveries at the contact of the volcanics and sediments at times was significantly lower (<90% and as poor as 46%).

The samples collected are considered representative of the material and or zones sampled and no bias has been observed from sampling or assay results. Gold and silver mineralization hosted within quartz vein type deposits is commonly variable, and as a result a large number of samples and assays will be required to confirm potential mineral resources.

### ***SAMPLE PREPARATION, ANALYSES AND SECURITY***

There was no on-site sample preparation done except for core cutting. The half core samples were placed in bags, sealed and labelled. Up to 6 sample bags (half core or rock chip samples – each sample type having a differing sample number sequence of letters/numbers) were then placed in larger “rice bags” and marked and sealed with numbered security ties under Candente Gold geological supervision. The samples were collected from site by Inspectorate personnel and transported to their sample preparation facility at Durango. The on-site drill core cutting was performed by Candente Gold employees. No other Candente Gold personnel were involved in any aspect of sample preparation.

All rock and core samples were shipped in batches to Inspectorate, an internationally recognized assay service provider. The Inspectorate laboratory is a certified laboratory by the Standards Council of Canada Associated Laboratories. Sample preparation was done in Durango, Mexico and assay analyses were done in Reno, Nevada U.S.A. A sample list was included with each shipment, and the laboratory confirmed the sample list upon sample arrival at its destination.

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1. 4 acid digestion – previous work by Placer highlighted that due to the fineness of the gold there is at times silica encapsulation.
2. 30 element ICP.
3. Gold by Fire Assay Atomic Absorption (“AA”) 2AT – 50 g.
4. Gold by Fire Assay with Gravimetric finish for samples >10 g/t gold.
5. Silver by Fire Assay with Gravimetric finish for samples > 100 g/t silver.
6. Mercury by Cold Vapour AA.

### ***DATA VERIFICATION***

Candente Gold applied quality control checks for core sample analyses. Standards were purchased at WCM Sales Ltd. 7729 Patterson Ave., Burnaby, B.C., CANADA V5J 3P4. Blank samples were prepared by Candente Gold on site in the town of El Oro. Three different STANDARDS of “A series of standard pre-determined samples” were used in the 2011 drill program. In addition, BLANKS were used randomly in every batch of samples sent to laboratory. The analytical laboratory conducted internal quality control and quality assurance procedures including the insertion of blanks and duplicate assaying of every tenth sample.

Assay data received from the laboratory was closely monitored by the Senior Project Geologist and the author. Any concerns related to missing samples, ASSAY RESULTS, DUPLICATES, STANDARDS and BLANKS or analytical technique were immediately discussed and addressed by the laboratory. There were no batches of re-assayed samples. Examination of standards and blanks results demonstrated satisfactory accuracy of assaying.

Further checks were also carried out with the dispatch of all samples ending with 5 being duplicated and sent to ALS-Chemex laboratories for preparation in Guadalajara and analysis in Vancouver, Canada.

The data verification protocols are consistent with industry standard.

## ***HISTORIC RESOURCE ESTIMATES***

### **Historic Resource Estimate on the Esperanza & El Oro Mines Rafael Vein Segments**

A NI 43-101 compliant mineral resource estimate has not been completed for the El Oro Property. Mineral resources or tons/tonnes and grade estimates quoted in this section are historic in nature. Historic mineral resources of in-situ and stope-fill material have been estimated mainly for the San Rafael vein as the documentation and data is most complete for this vein target. The remaining likely lower grade mineralization in the San Rafael vein is contained in vein material that is predominantly situated laterally to the known workings including hanging-wall and foot-wall material as well as pillars and back-fill material. Several other related veins very likely have remnant mineralization.

One of the first historic attempts to calculate a mineral inventory in the San Rafael mine was made as early as 1937 by a government commission to assess the assets of the company of Las Dos Estrellas before handing over mining to the newly formed Mining Cooperative. A comprehensive re-sampling of underground workings to confirm reported grades by the company was considered, but due to the high assay costs a limited amount was completed to confirm grades in both the insitu vein material as well as the mine back-fill. The calculation was only completed to a rough estimate level and combines estimates of in-situ material with stope-fill material to give a total of 12,324,394 tonnes grading 2.13 g/t gold and 67.40 g/t silver.

In 1977 and 1978, Minera Mexico Michoacán (“Minera Michoacán”) completed a historic mineral resource estimate of in-situ and mine-fill material with grade ranges. This historic resource did not take into consideration geological concepts including structure, weakly mineralized andesite sills and the voluminous un-mineralized vein material and is not considered reliable.

In 1980, Luismin Industrias purchased a 55% rights on the concessions of Minera Michoacán. In 1982, Tawn Albinson, on behalf of Luismin, conducted a detailed review of the San Rafael vein system including past production, geology and potential future production. Albinson confirmed that ENE faults had both pre-ore and post-ore movement and that some of the larger mining widths, as high as 70 meters, locally were coincident with some these ENE cross faults. Numerous high angle cross faults are known to bisect earlier lower angle faults in the mines.

Table 22: Albinson’s Extraction/Production Summary

<b>Company</b>	<b>Year</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>
El Oro Mining Ltd.	1904-1925	5.558	8.9	63
Esperanza Mining Ltd.	1896-1921	3.455	16.3	146
Mexico Mines Ltd.	1908-1927	2.201	12.2	119
Cia Minera De Las Dos Estrellas	1907-1924	6.302	12	160
<b>TOTAL</b>		17.516	11.9	121

In 1992, the most comprehensive historic mineral resource estimate was completed by Luismin. Luismin estimated that the El Oro Mining & Railway and the Esperanza portion of the San Rafael vein hosts an in-situ mineral resource of 6.89 million tonnes grading 3.44 g/t gold and 44.00 g/t silver for a contained 760,000 ounces of gold and 9,750,000 ounces of silver. This in-situ mineral resource is contained within pillars, areas not mined; and stope and back-fill material in the old workings. The estimate attempted to consider geological concepts defined above.

The historic Luismin estimate was based on an extensive assessment of the historic El Oro Mining mine records including a review of 2700, two meter mine level plans with gold reported in Au\$/Ton and silver reported in Ag oz/Ton, (using the 1915 Mines Handbook precious metal prices), cross sections and available production documentation. The block model used 2 meter blocks with an area of influence of 2 meters.

In 1993, Hillsborough in a joint venture with Luismin re-evaluated the historic resource calculation and concluded that it was sound and warranted follow-up work. Eight diamond drill holes (SR-93-1 to SR-93-08) over a 1.0 km strike length were completed by Hillsborough to assess the reliability of the resource estimate. Gold and silver grades obtained from the 1993 drilling confirmed the grade estimates presented in the 1992 Luismin Resource

Estimate in drill intercepts including drill hole SR-93-02 returning 3.5 m of 23.2 g/t Au and 224.0 g/t Ag. Drilling also confirmed estimates that 50 to 60 percent of the actual vein had been mined out as the quartz-carbonate vein had differing gold-silver tenors along strike. The area of mine workings assessed by Luismin to create the historic resource estimate was on a 1.0 km portion (El Oro Mining & Railway and Esperanza) of the 3.3 km long San Rafael vein representing approximately 40% of the entire amount of known workings on the San Rafael vein.

The positive, probable and potential categories of the 1992 historic mineral resource estimate by Luismin are non-compliant with NI 43-101 Standards for Disclosure of Mineral Resources as they differ from the measured, indicated and inferred categories set out in NI 43-101. The Luismin report categorizes the resource estimate as:

2,625,218 tonnes-positive (3 sides with sample data)

1,763,402 tonnes-probable (2 sides with sample data)

2,500,000 tonnes-potential (estimated from sample sections)

**6,888,620 tonnes-total insitu material grading 3.44 g/t gold and 44.00 g/t silver**

A historic remnant resource of approximately 1.7 million ounces of gold and 38 million ounces of silver (grades from the San Rafael vein were 3.67 g/t gold and 69.43 g/t silver respectively) was estimated for the San Rafael vein by Luismin and published in company reports in 1972. Luismin calculated resources separately for the in-situ vein and stope -fill material and then combined the two numbers. This was based on an extrapolation of the resource calculated just for the El Oro Mining section of the San Rafael vein (40%) to the other 60% of the historic mine workings on the San Rafael vein using broad assumptions.

With regard to the historic data, the author has made a judgment with regard to the general reliability of the underlying data. There exists an extremely large database of historic data that contains detailed maps, plans and sections of the old workings along with extensive production records. The quality and accuracy of the historic data cannot be verified without undertaking a sampling program of the underground workings, but the author is confident the historic data is a fair representation of the old workings, veins systems, gold-silver mineralization and reported production. A large part of the historic workings are inaccessible at this time due to unstable, variably faulted graphitic shale host rock.

### **Historic Resource Estimate on the Mexico Mine Tailings**

The Mexico Mine tailings deposit has a historic estimate of 1,039,134 tons grading 2.8 grams per metric ton gold (“g/t”) and 75.0 grams per metric ton silver for potential contained ounces (“oz”) of 91,874 oz of gold and 2,505,651 oz of silver. The tailings deposit lies within the town site of El Oro, is easily accessible immediately adjacent to existing road access, as well as power and water services. The tailings cover an area of approximately 5.6 hectares, that once reclaimed would be available for the town’s future development.

The following discussion refers to the history of the Mexico Mine (San Rafael) and parts of Esperanza Mine (Veta Negra and San Carlos), the known source of the Mexico mine tailings.

- Year 1907: Mexico mine was owned by the Mexican Venture Company and started production on the San Rafael vein with the completion of the 100-stamp cyanide mill.
- Year 1910: the Mexico Venture company was sold to the London Exploration Company Limited and certain English and French interests.
- Year 1912: Esperanza Mine was relinquished to the Esperanza Limited Company. The lowest grade ore profitably exploited contained 0.25 oz gold Au/ton and 2-3 oz silver Ag/ton.
- Year 1920: the American Mining Co. built a 120-stamp cyanide mill
- Years 1925 to 1937: In 1925, all of the mines and properties, including the Mexico Mine were acquired by the Las Dos Estrellas Company. Higher grade backfill, pillars and intermediate veins were mined at this time. A new crushing and processing plant was built to process this ore. Most of the Mexico Mine tailings were produced between the years 1921-1925.

- Year 1951: La Cooperativa Las Dos Estrellas conducted a detailed Mexico Mine Tailings sampling program of 184 drill holes totaling 2,162.7 meters and defined 91,874 oz gold and 2,505,651 oz silver; and completed metallurgical test work
- Year 1959: La Cooperativa Las Dos Estrellas conducted a series of detailed tailings treatment test work with the varying results for gold and silver recoveries: 49-81% gold and 22-41 % for silver (Table 6.4)
- Year 1977: The mineral rights over the El Oro veins including Mexico Mine on San Rafael opened and a private company, Minera Mexico Michoacán (MMM) acquired the exploration rights over a 2700 hectare area to the El Oro property.
- Year 1980-1981: Luismin acquired a majority interest in the El Oro property from MMM and drilled 18 verification holes and conducted metallurgical test work on the tailings simultaneously at two differing labs including the metallurgical lab in Tucson, Arizona and at the Taylolita mine site lab. The results from the two labs produced variable metal recoveries.
- Year 1982: Heap leach test characteristics of the tailings material were completed on behalf of Luismin.
- Year 1989-1990: Luismin conducted a further 22 verification drill holes equally spaced over the tailings deposits with metallurgical test work at the Metallurgical Institute of San Luis Potosi.
- Year 2011: CCM Minera (Candente Gold) collected a series of soil samples from the Mexico mine tailings to test for deleterious element geochemistry (e.g. mercury); and started a detailed compilation of the historic work completed tailings deposit.

Extensive tailings sampling programs and related metallurgical test work programs have been completed on the tailings deposit between 1951 and 1990 by varying sampling methods including: drilling, trenching, test pitting and soil sampling.

The most comprehensive sampling program was conducted in 1951 by the Cooperativa de Las Dos Estrellas and was comprised of 184 drill holes of varying in depths between 5.0 and 27.0 meters for a total of 2,162 meters. A density factor of 1.3 was used for the historic estimate.

Table 23: Cooperativa Minera de Las Dos Estrellas 1951 Tailings Sample Program Results

<b>MEXICO MINE TAILINGS</b>	<b>UNITS</b>
Drill hole Meters (184 holes)	2,162
Cubic meters	865,080
Density	1.3
Wet tons	1,124,604
Humidity 7.6%	85,470
Dry tons	1,039,134
Contained oz of gold	91,874
Contained oz of silver	2,505,651

Many different metallurgical facilities have completed comprehensive test studies on the Mexico Mine tailings between 1951 and 1990 in an attempt to identify the most effective tailings treatments to achieve the highest overall metal recoveries at the lowest costs. The results are summarized below.

Table 24: Summary of the Historic Metallurgical Test Results by Various Metallurgical Firms (1951 to 1990)

Year	Company	Comments	Gold rec %	Silver rec %
1951	Mining Development Commission (Manuel Villafana)	A cyanidation study was completed after calcination with positive results; calcination will disperse potential pollutants into the atmosphere (e.g. arsenic, mercury).	70	20
1981	Tucson Arizona/Taylolita Lab	Four leaching tests were completed with cyanide and stirring process with negative results in poor recoveries.	35	37
1982	Heap Leach Tests	Tailings were tested for heap leach characteristics; by agglomeration with lime and cement; poor results with 50% recovery for gold and 20% recovery for silver; consumables from agglomerated material tested Tombstone-10 lbs/ton lime, 10 lbs/ton cement and 6 lbs/ton of sodium cyanide in columns with good results; the results were questioned; were sent to check again.	55	52
1989	Metallurgical Institute in San Luis Potosi	Several tests were done on the tailings by various treatments including gravity concentration, flotation, cyanidation etc.). The best method for good gold and silver recoveries is agitation cyaniding and cyaniding with small sizes to 100 mesh (screens); recommendations were to use a competent lab and conduct tests of cyanidation on bottle test and column tests; classify mineral +100 to -100 screen/mesh tests.	50	50

### **Candente Gold's Simple Block Model Estimate**

In late 2012 to early 2013, Candente Gold proceeded with the creation of a 3D gold and silver block model of the El Oro Mining & Railway/Esperanza Mines on the San Rafael Vein (Figures 4 and 5). The model was created by capturing historic values for gold, originally reported in USD\$ Au/Ton and oz/Ton Ag from 2700 two meter grade control level plan data developed during the active mine years dating back to the years from 1913 to 1925.

The potential tonnes and potential grade estimate covers a 1.0 km longitudinal strike extent of the NNW-SSE trending San Rafael and related veins (e.g. Negra) defined in 52 NE-SW trending cross sections from Levels 0 foot to 750 foot. In addition, the estimate covers a 170 m (900 feet) vertical extent of the Negra Vein in the hanging wall of the San Rafael from Level's 550 feet to Level 1450 feet (180 meters).

The methodology is defined below:

- 1) Grade control data was captured from original level plans into an EXCEL file format
- 2) Unit (metal) values were captured in USD \$Au/Ton and oz Ag/Ton (using Mines Handbook 1915 prices of USD\$20.0/oz and USD\$0.56/oz)
- 3) All level assays were imported from the EXCEL to a VULCAN sample file in the Mexico NAD 27 z14 UTM coordinate system

- 4) Captured metal units (values) and were converted to ppm
- 5) Drill hole database was imported from an EXCEL file format
- 6) January 2013 survey data including key shaft and drill hole locations pertinent to the registration of the mine grid relative to UTM grid was utilized
- 7) Topography was imported from a CAD file format
- 8) Schematic long section with underground working was converted to REAL projected space available (limited) underground working level plans were digitized and utilized.
- 9) Vein outlines and faults on original level plans were digitized
- 10) Major faults were digitized
- 11) Grade ranges for gold and silver were colour coded
- 12) An assumption was made that mineralization historically mined was >8 g/t Au and >121 g/t Ag
- 13) Assumption that mineralization < 8 g/t Au and <121 g/t Ag was potentially remnant
- 14) Areas were blocked out as potential tonnes and grade estimate

Simple Block Model Estimate had the following limitations:

- 1) The absolute geological interpretation of the San Rafael Vein is lacking
- 2) Much of the historic drill core (poor recovery) is in very poor condition
- 3) Visual checking of the model against relevant data is on-going
- 4) An understanding of structural controls is limited due to inaccessibility of underground workings
- 5) Geological understanding is critical to understanding domains that may differentiate the various mineralization types including supergene weathered sulphide gold-rich ore along cross faults vs silver-rich ore vs fault geometry
- 6) Statistical and variograms analyses have not been completed
- 7) Blocks have limited information including the distribution of grade and limited accurate known historic drill hole pierce points to validate mine level data as many historic drill holes lacked down hole survey data
- 8) This block model IS NOT constrained by the controlling geological elements of the deposit like detailed structure, accurate andesite sill locations (only schematic distribution available) and faults
- 9) This simple block model IS constrained by “known vein boundaries”, minor faults, and spatial distribution of grades (as presented by the 1919-1925 sample control Au and Ag level plans)
- 10) An accurate understanding of the true spatial distribution of grades is lacking

#### Data Capture Process

The detailed data capture program of approximately 2700 two-meter grade control level plans at a scale of 1:125 from the historic mine records from the years 1920 to 1925 is summarized below. The deemed location of the Section Lines relative to the underground workings can be found on Figure 5. The registration of the historic mine grid relative to the UTM grid is a best fit location based on shaft, drill hole and underground working locations. The level plan data was captured into an excel spreadsheet from the level plan metric mine grid using (+) for north and (-) for south. The excel file captured the following data from the plans: X mine grid coordinate (=X\_MineGrid); Y mine grid coordinate (=Y\_MineGrid); Sample Length (in meters); Element 1 (in Au \$/Ton) using 1915 gold prices of USD\$20.0/Ton; Element 2 (in Ag oz/Ton); Section Line( e.g. AB); Level Name(e.g. 186 for 186 foot level); Height(level height in meters) and Source File (e.g. AB\_L186\_0-2\_014632) defined Section Line AB on Level 186 foot from the 0-2 meter above the floor source file stamped on the original level plan. Historic digitized mine level workings were used to label the mine grid onto the original level plans.

Table 25: Example of Candente Gold’s data capture process on the El Oro Mining & Railway/Esperanza Mine data

ID	X_MineGrid	Y_MineGrid	SampLength	Element1	Element2	Section	Level	Height	SourceFile
1	77.63	13.80	0.80	17.90	4.60	AB	186	1.0	AB_L186_0-2_014632
2	78.64	14.34	0.80	12.00	1.70	AB	186	1.0	AB_L186_0-2_014632
3	77.19	14.60	1.00	15.50	7.50	AB	186	1.0	AB_L186_0-2_014632
4	78.13	15.18	1.00	6.20	1.50	AB	186	1.0	AB_L186_0-2_014632
5	76.39	15.64	1.00	8.10	4.20	AB	186	1.0	AB_L186_0-2_014632
6	77.52	16.20	1.00	17.40	3.00	AB	186	1.0	AB_L186_0-2_014632
0	76.86	17.95	1.00	15.50	6.60	AB	186	1.0	AB_L186_0-2_014632
8	73.62	16.55	0.70	-9.00	-9.00	AB	186	1.0	AB_L186_0-2_014632
9	74.14	15.65	0.70	-9.00	-9.00	AB	186	1.0	AB_L186_0-2_014632
10	72.94	16.19	0.70	-9.00	-9.00	AB	186	1.0	AB_L186_0-2_014632
11	73.42	15.37	0.70	-9.00	-9.00	AB	186	1.0	AB_L186_0-2_014632
7	75.84	17.55	1.00	-9.00	-9.00	AB	186	1.0	AB_L186_0-2_014632

### San Rafael Sampled Gold Grade Coloured Blocks on Section

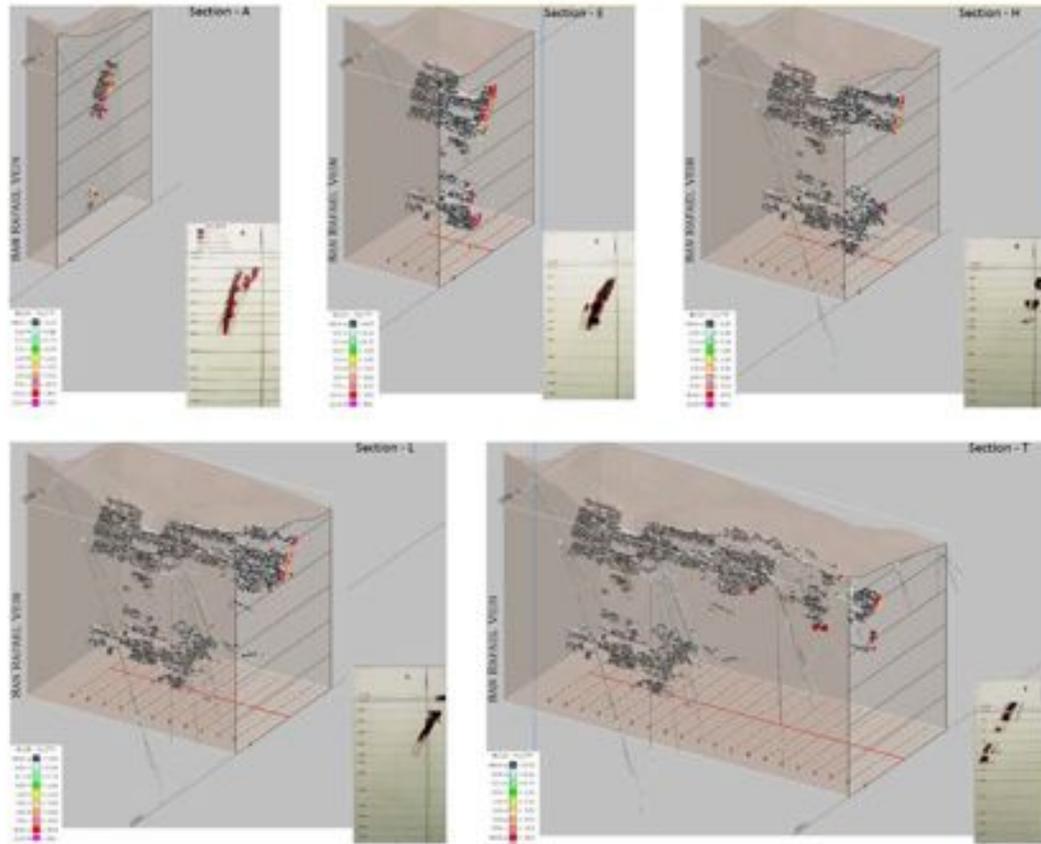


Figure 36: Candente Gold's Grade Block Model for Gold (g/t) sections A, E, H, L and T

The gold grades were higher: in the upper levels where NE cross faults bisected the host rock and weathered sulphides (native gold and silver was not uncommon) in these areas; near the upper contact of the upper andesite sill; near competency contrasts where rocks might fracture differently and be variably dilational; near quartz-carbonate vein splits and near pre-ore low angle faults.

Gold grade ranges modeled include: <0.10 ppm Au, <0.10 to <0.50 ppm Au, <0.50 to <1.00 ppm Au, <1.00 to <2.00 ppm Au, <2.00 to <3.00 ppm Au, <3.0 to <5.0ppm Au, <5.0 to <10.0ppm Au, <10.0 to <25.0 ppm Au, <25.0 to 999 ppm Au.

### San Rafael Sampled Silver Grade Coloured Blocks on Section

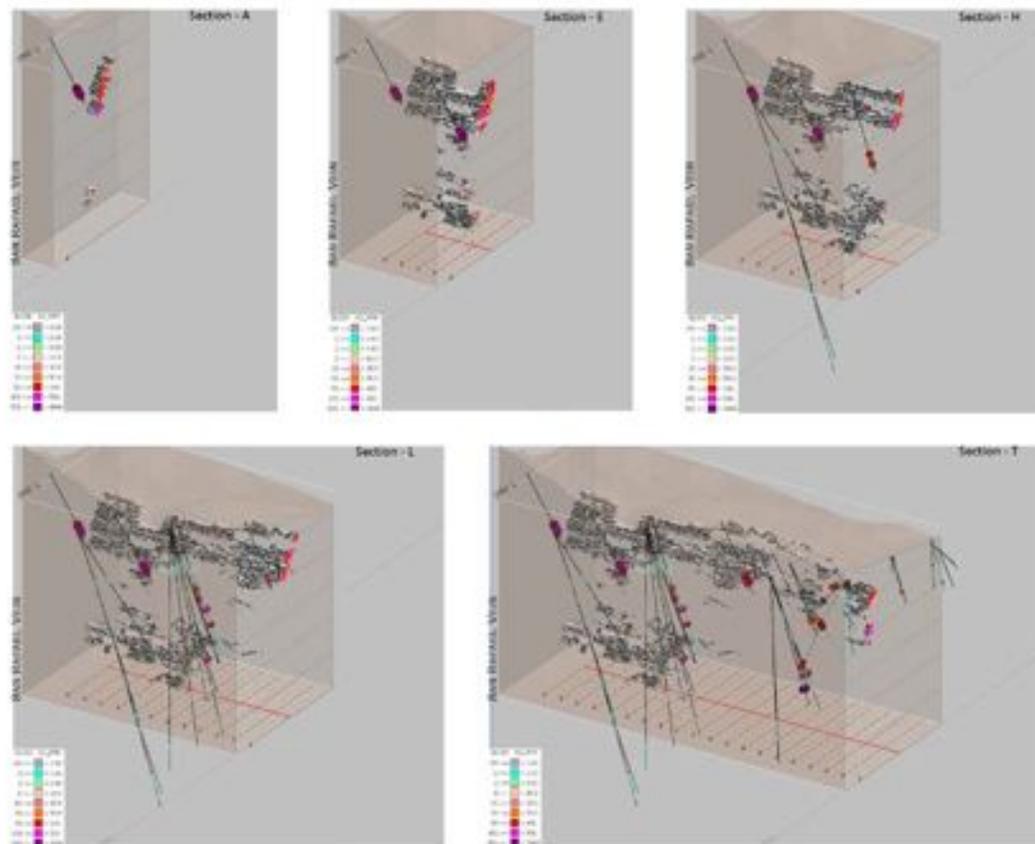


Figure 37: Candente Gold's Grade Model for Silver (g/t) showing sections A, E, L and T

Silver grade ranges modeled include: <2.00 ppm Ag, <2.0 to <8.0 ppm Ag, <8.0 to <16.0 ppm Ag, <16.0 to <30.00 ppm Ag, <30.00 to <50.00 ppm Ag, <50.0 to <100.0ppm Au, <100.0 to <500.0ppm Au, <500.0 to <9999 ppm Ag,

The recent Vulcan work has calculated the potential tonnes (metric tons) of remnant mineralization on the San Rafael vein segment at between 5,000,000 to 6,500,000 metric tons grading between 3.44 to 10.0 g/t Au and between 44 to 65 g/t Ag. Past estimates by Luismin returned approximations of 6,888,620 grading 3.44 g/t Au and 44 g/t Ag. Verification of the recent Candente Gold estimate is still in progress.

### ***CONCLUSIONS AND INTERPRETATION***

In the third quarter of 2012, the Company initiated a detailed compilation/data capture/translation of numerous historic documents including a 3D grade model of the San Rafael vein; an ASTER/Structural interpretation of the district and further detailed fluid inclusion studies and an assessment of metal ratios, metal contents, vein texture and mineralogy on the drill database. Recognizing that controls to the higher grades were not clearly understood and that an immense amount of recently discovered data had not been previously considered, the Company focused recent exploration work on the creation of an integrated 3D model of a 1.2 km long segment of the 3.5 km long San Rafael Vein.

In May of 2013, Candente Gold completed a three dimensional (“3D”) assay grade interpretive model for the San Rafael Esperanza and El Oro Mining & Railway vein segments with an objective of understanding the geometry of known gold-silver mineralization in the district to guide future drilling. The model has incorporated: known underground workings; drill holes; 2700 underground levels with two meter grade control data for Au g/t and Ag g/t; the Somera Tuff unconformity; the strike and dip of known vein segments and vein splits; and known high- and low-angle faults.

In June of 2013, had calculated potential remnant mineralization of between 5,000,000 metric tons grading in the range of between 8 to 11 g/t Au and 44 to 65 g/t Ag on the 1.0 km San Rafael vein segment modeled. The San Rafael vein segment is 3.3 km in length and has a depth extent of up to 600 meters.

In February of 2013, a detailed structural and ASTER/Structural Landsat interpretation was completed. The results indicate that there are five principal fault orientations recognized within the study area: WNW/E-W, NE/ESE, NNE-SSW, N-S/NNW and NW-SE. The structural framework of the district is dominated by the WNW/E-W faults. The NE/ESE faults are also common. The NNE vein faults locally carry higher grades via supergene enrichment processes.

At least 31 exploration targets were identified as a result of the satellite image interpretation and alteration processing. The targets are based on criteria including the presence of major faults, intersections, branches or splays along major structures, releasing bends, proximity to intrusions, ASTER/Landsat ETM+ derived anomalies and known veins.

In April of 2013, a fluid inclusion study was completed on 30 samples collected from surface outcrops, underground workings and drill core on the San Rafael, Verde, Borda, Coronas and the Jesus Del Monte vein targets. Results from this work indicate that mineralization at El Oro has many similarities to the well-known Guanajuato low sulphidation silver-gold district with evidence for boiling (the process that precipitates/deposits gold and silver) at various levels in the system. Boiling is a strong indicator for the potential for additional gold-silver mineralization below depths mined to date.

Results of the work described above indicate that grade controls in the district are: NNW and NNE vein faults; ENE-WSW silica breccias with mining widths in the range of 30-70m; andesite porphyry sill contacts; intensely leached portions of the more sulphidic veins; and unconformity controlled gold mineralization.

The 2011 surface drilling campaign along the San Rafael Vein system confirmed the down dip extension of the mineralized vein by more than 500 meters vertically. In addition, metal contents suggested that base metals might be expected at deeper levels within the vein system and higher mercury levels at higher vein levels.

The Spatial association of Tertiary volcanic rocks, advanced argillic (+buddingtonite) and epithermal veins is a common theme throughout the precious metal district in Mexico and elsewhere in the world. Steam heated advanced argillic (acid sulphate) occurs in the Somera tuff above the mineralized gold-silver bearing San Rafael low sulphidation epithermal veins.

It is very likely that small, buried intrusions are yet to be discovered in the El Oro District and may be the source of the advanced argillic alteration along the Somera Tuff contact.

The unconformable contact between the Somera Tuff and the underlying mineralized vein system in sediments could have provided an enhanced fluid flow channel for fluids from a completely differing and unrelated mineralization event.

The occurrence of disseminated gold zone in the Somera Tuff immediately above known gold-silver mineralization in the San Rafael Vein system suggests focus by remobilization event and/or the gold mineralization and related advanced argillic/buddingtonite alteration is related to a completely differing mineralization event. A similar scenario might also exist between the Veta Verde and San Rafael vein systems.

In summary low sulphidation epithermal gold-silver vein deposits, like Candente Gold’s El Oro District can easily lie concealed beneath extensive blankets of clay alteration and/or post mineral volcanic capping. Support and willingness to be drill aggressive is critical as surface features may not be a true representation of what lies at depth.

## **Recommendations**

A proposed budget of approximately US\$550,000 is proposed and should include the following:

- Continuation of the verification of the Simple Block Model Estimate of 5,000,000 million metric tons grading 11 g/t Au and 64 g/t Ag on the 1.0km San Rafael vein segment modeled; definition of higher grade controls by the digitizing of the various grade ranges; and a variography study; and definition of fault controls on higher grades
- Mexico Mine tailings exploration sampling and metallurgical test work program. This work will include drilling for both resource verification and metallurgical testing to establish best processing methods and estimated recoveries. Once results have been received from the metallurgical testing programs, engineering studies will determine both estimated capital expenditure required for the operation as well as estimate operating costs. The Exploration and Feasibility work is estimated to costs between \$350,000 and \$500,000.
- Detailed ground follow-up on the top priority 9 of the 31 exploration targets defined in a recent ASTER/structural interpretation; consideration of the down-to-north fault offsets and relocation of missing vein segments along strike Continuation of a vein intercept study to include: metal ratios; metal contents; vein textures; vein mineralogy sulphide contents; vein mineralogy; alteration; and gangue mineralogy; pre- and post-mineral faults and any other information that can aid in paleo-depth assessment of each of the various veins and vein segments intersected to date. Consideration of known low angle penetrative fault features versus high angle normal features should be carefully considered.
- Ore shoot targeting for future drilling.

## **PERUVIAN PROPERTIES**

The Company also holds 100% interest in the Peruvian Properties, comprised of certain early stage gold-silver exploration properties in Peru which were acquired upon the Company's inception from Candente Copper in exchange for: 1) 13,500,000 Common Shares; 2) the grant by the Company of a copper net smelter charge on one of the properties; and 3) a potential additional issuance of 10,000,000 Common Shares if and when the Company incurs a minimum of US\$5 million dollars in exploration on the Peruvian Properties. The Company is prioritizing the Peruvian properties to determine where to conduct exploration work during 2011.

The following are the properties in Peru which the Company considers more important at this time although none of the Peruvian Properties are currently material to the Company.

## **LUNAHUANA**

The Lunahuana property, formerly known as the Columbia property covers 5,387 hectares and is located in central Peru. The Company's current operations consist of an exploratory search for mineable deposits of minerals. The property does not contain any mineral resources nor mineral reserves.

Mining activities at Lunahuana appear to date back to Spanish Colonial period. Historical workings on this property are sporadic and they followed high grade vein mineralization. The Company has not been able to obtain any reliable records of past production. Mineralization on the Lunahuana property can be divided into several target zones: Cata North and Sur, Blanquitos (including Viky area), Santa Rosa, Los Negritos, and Manto Santiago. Mineralized targets comprise mantos and disseminations of copper and gold in Santa Rosa and breccias in Blanquitos which appear to be the highest priority targets followed by the high grade vein mineralization in Viky and Cata areas.

Candente Copper conducted programs of geological mapping and geochemical sampling, trenching and road construction as well as a review of the work conducted by Britannia Gold S.A. in 1996. Anomalous levels of metals, including gold, silver, copper, zinc, and lead have been found in various alteration zones on the property. Several drill targets have been identified and styles of mineralization and alteration are believed to possibly fit an Iron Oxide Copper-Gold (IOCG) style of deposit.

The next phase of work should include drilling with detailed mapping and geochemical and geophysical surface work.

## **TRES MARIAS**

Tres Marias/San Francisco is a 8,800 hectare property hosting anomalous gold and silver in a combination of low sulphidation veins and high sulphidation alteration in an epithermal system located in the Puno District of southern Peru. The Company's current operations consist of an exploratory search for mineable deposits of minerals. Original interest stemmed from historical work and exploration reconnaissance.

The principal structure on the Tres Marias property, the "Pataqueña" vein, saw some historical production during the Spanish Colonial period, and there is artisanal underground development that, entering at the elevation of the valley bottom, extends horizontally along strike for roughly 150m. There are limited vertical workings that extend 75m above the main adit level and valley floor. Seasonal flooding during the rainy season and related drainage problems probably explains the absence of workings below the valley floor and corresponding main adit level. There are no production figures available for the most recent period of activity which roughly dates to the mid/late 1800s. The Company has sampled historic mine dumps, the grades of which indicate high silver values (35 – 80 oz/t Ag) although no historic records of grades exist.

The region saw continued exploration and interest over the last 30 years, and a high sulphidation belt was eventually defined by the continued efforts in the region. Work eventually resulted in the discovery of several high sulphidation deposits that are now in production including the Santa Rosa and Aruntani Deposits (MDH) and La Rescatada (Anglo-Ashanti).

Candente Copper first acquired interest in the region as the result of regional reconnaissance work carried out in 2002, and were centered on the original historic workings. Mapping of the area surrounding the claims initially staked in that same year showed good expressions of alteration on surface and continuation of the major structures, and over the next 5 years additional claims were added to the group as they became available. The last few blocks were added in 2007 through government auction as several companies had converged over the same available pieces of ground.

The principal structures show strong mineralization and their historic exploitation has been limited in extension and depth. There is good potential to prove up continued values of silver with associated gold along strike and at depth, as well as to encounter as of yet undiscovered parallel structures. There are also several areas of interest that would appear to be high sulphidation style targets with a chance for larger volume.

These principal structures are ready drill targets and a short program should be considered to test along strike and at depth.

This previous work has produced a proposal for a 20-hole program of diamond drilling to test known targets. The program has been proposed with the principal structures in mind, as well as the testing of high sulphidation targets to the southwest and southeast of the main zone.

## **DIVIDENDS**

The Company has not declared nor paid dividends on its Common Shares since its inception. There are no restrictions in the Company's articles or notice of articles that limits its ability to declare or pay dividends on its Common Shares. The Company has no present intention of paying dividends on its Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **GENERAL DESCRIPTION OF CAPITAL STRUCTURE**

The Company's authorized capital consists of an unlimited number of Common Shares without par value. All shares of the Company rank equally as to voting, and there are no special preference, conversion or redemption rights attached to any of the shares of the Company. All of the issued Common Shares are fully paid and non-assessable.

As of March 31, 2013, the end of the Company's most recent fiscal year, 62,176,760 Common Shares, 5,236,500 options to purchase Common Shares and 5,226,350 warrants to purchase Common Shares were issued and outstanding.

As of June 27, 2013, the date of this AIF, 62,219,760 Common Shares, 5,236,500 options to purchase Common Shares and Nil (Zero) warrants to purchase Common Shares were issued and outstanding.

The shareholders are entitled to one vote for each Common Share on all matters to be voted on by the shareholders. Each Common Share is equal to every other Common Share and all Common Shares participate equally on liquidation, dissolution or winding up of our Company, whether voluntary or involuntary, or any other distribution of the assets among our shareholders for the purpose of winding up our affairs after the Company has paid out its liabilities. The shareholders are entitled to receive pro rata such dividends as may be declared by the Board out of funds legally available therefore and to receive pro rata the remaining property of the Company upon dissolution. No Common Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provisions for redemption, retraction, purchase or cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation, modification, amendment or variation of such rights or such provisions are contained in the BCBCA and the articles of the Company.

## CONSTRAINTS

There are no constraints imposed on the ownership of securities of the Company to ensure that the Company has a required level of Canadian ownership.

## RATINGS

The Company has not asked for nor has it received a stability or other rating from any approved rating organizations.

## MARKET FOR SECURITIES

### TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSX under the symbol "CDG". The following table provides information as to the high and low prices of the Common Shares during the most recently completed financial year as well as the volume of Common Shares traded for each month on the TSX.

The following table reflects the monthly high and low trading prices, the month end closing price and the average daily volume for each month on the TSX for the Common Shares from April 1, 2012 to March 31, 2013:

Month	High (\$)	Low (\$)	Close (\$)	Average Daily Volume	Total Monthly Volume
April 2012	0.26	0.19	0.25	21,004	420,084
May 2012	0.26	0.17	0.19	15,080	331,781
June 2012	0.22	0.16	0.17	13,495	283,403
July 2012	0.19	0.12	0.12	21,944	460,844
August 2012	0.24	0.12	0.21	11,950	262,911
September 2012	0.23	0.16	0.18	30,004	570,094
October 2012	0.18	0.14	0.14	12,468	274,307
November 2012	0.14	0.10	0.11	27,036	594,800
December 2012	0.12	0.10	0.12	23,891	453,936
January 2013	0.18	0.11	0.14	34,084	715,765

Month	High (\$)	Low (\$)	Close (\$)	Average Daily Volume	Total Monthly Volume
February 2013	0.14	0.08	0.11	49,007	931,141
March 2013	0.13	0.08	0.08	20,467	409,340

The price of the Company's Common Shares on the TSX at the close of the business on March 28, 2013 was CAD\$0.08 per share and on June 27, 2013 was CAD\$0.055 per share.

#### **PRIOR SALES**

There are no securities of the Company that were issued but not listed on the TSX during the most recently completed financial year.

On May 24, 2012 13,000 stock options were exercised in respect to the Arrangement with the Company and Candente Copper.

On June 12, 2012, a total of 112,500 stock options in respect to the Arrangement with the Company and Candente Copper expired unexercised.

On August 20, 2012, 15,000 stock options in respect to the Arrangement with the Company and Candente Copper were exercised.

On September 20, 2012, 15,000 stock options in respect to the Arrangement with the Company and Candente Copper were exercised.

On September 28, 2012, 9,000 stock options in respect to the Arrangement with the Company and Candente Copper expired unexercised.

On November 13, 2012, 80,000 stock options in respect to the Arrangement with the Company and Candente Copper were cancelled due to cease of employment.

On December 5, 2012, 250,000 stock options were granted at CAD\$0.25 to a director.

On February 15, 2013, a total of 1,785,000 stock options were granted at CAD\$0.25 to directors and officers and consultants and employees.

On February 15, 2013 a total of 195,000 stock options were cancelled due to cease of employment (170,000 at CAD\$0.64 and 25,000 at CAD\$0.65).

On March 26, 2013 a total of 165,000 stock options were granted at CAD\$0.25 to consultants and employees.

On March 30, 2013, a total of 554,475 broker warrants at CAD\$0.86 and a total of 4,671,875 subscribers warrants at CAD\$1.10 expired unexercised.

#### **ESCROWED SECURITIES**

As of the date of this AIF, there are no escrowed securities or that were subject to a contractual restriction on transfer.

#### **DIRECTORS AND OFFICERS**

The following table sets forth certain information with respect to the current directors and executive officers of the Company:

Name, Position and Province/State and Country of Residence <sup>(1)</sup>	Principal Occupation During the Past Five Years	Period of Service as an Officer or Director	Approx. no. of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised <sup>(5)</sup>
<b>Joanne C. Freeze, P.Geo</b> CEO, President & Director British Columbia, Canada	Professional Geologist registered with the Association of Professional Engineers and Geoscientists of B.C.. Director, President and CEO of the Company since April 2009. Director & CEO of Candente Copper since July 1997. Director and CEO of Cobriza Metals Corp. since May 2011.	Director, CEO and President since April 2009	752,352
<b>Dr. Peter K.M. Megaw, CPG</b> <sup>(3)</sup> Independent Director Arizona, U.S.A.	Certified Professional Geologist by the American Institute of Professional Geologists and Arizona Registered Geologists. Independent Director of the Company since May 2009. Director of MAG silver since 2006. One of the founding principals and President of IMDEX Inc. since 1988.	Independent Director since May 2009	161,400
<b>Larry D. Kornze, P.Eng.</b> <sup>(2)(3)</sup> Independent Director Idaho, U.S.A.	Professional Engineer and Independent Director of the Company since May 2009.	Independent Director since May 2009	215,000
<b>Andres J. Milla, M.A. Ec.</b> <sup>(2)</sup> Independent Director Lima, Peru	Economist. Independent Director of the Company since February 2010. Also Director of Candente Copper since July 2009. An Associate with First Capital Partners, Peru since 2008. Was a member of the Board of the Lima Stock Exchange from 2006 until March 2008 and was General Manager of Credibolsa SAB, main broker agent of the Peruvian stock market from 2006 to August 2008.	Independent Director since February 2010	52,200
<b>Dr. Kenneth (Ken) G. Thomas, P.Eng., F.C.I.M.</b> <sup>(2)(3)</sup> Independent Director Ontario, Canada	Professional Engineer (P.Eng.), F.C.I.M & F.I.M.M.M. Recently he was Senior Vice President, Projects, Kinross Gold Corporation from Nov 2009 until July 2012. Prior to that he was Global Managing Director of Hatch for six years and also served as Senior Vice President, Technical Services of Barrick Gold Corporation where he was a company officer for 14 years.	Independent Director since December 2012	Nil
<b>Sean I. Waller, P.Eng.</b> Vice-President British Columbia, Canada	Professional Engineer registered with the Association of Professional Engineers and Geoscientists of B.C.. Vice President of the Company since May 2009. Vice President for Candente Copper since July 2009. He was Vice-President Development for Candente Copper from August 2008 until July 2009. Was Vice President of AMEC from August 2004 to August 2008.	Vice-President since May 2009	68,500

Name, Position and Province/State and Country of Residence <sup>(1)</sup>	Principal Occupation During the Past Five Years	Period of Service as an Officer or Director	Approx. no. of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised <sup>(5)</sup>
<b>Anthony Pitirri, CA</b> CFO British Columbia, Canada	Chartered Accountant. CFO of the Company, Candente Copper Corp. and Cobriza Metals since August 2012. From August 2008 Mr. Pitirri has held senior management positions with CuCo Resources Limited, Ram Power Corp., Polaris Geothermal Inc., and Polaris Energy Nicaragua S.A. From February 2004 until 2008, Mr. Pitirri has held a management position at BDO Dunwoody LLP, providing accounting and advisory services to public companies in the natural resource sectors.	CFO since May 2009	Nil
<b>John P. Foulkes, B.Sc. (Geol), B.Ed.</b> VP Corporate Development British Columbia, Canada	Geologist. VP Corporate Development for the Company since January 2010. Also the VP Corporate Development for Candente Copper since February 2010 and for Cobriza Metals Corp. since August 2011. Was Manager of Corporate Development for Platinum Group Metals Ltd. from March 2003 until October 2008.	VP Corporate Development since January 2010	15,000
<b>Maria Eugenia (Lola) Montagne</b> Corporate Secretary and Treasurer British Columbia, Canada	Corporate Secretary and Treasurer of the Company since May 2009. Also Corporate Secretary and Treasurer for Candente Copper since July 2002 and for Cobriza Metals Corp. since May 2011.	Corporate Secretary and Treasurer since May 2009	36,550

Notes:

- (1) The information as to province or state and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.
- (2) Member of Audit Committee.
- (3) Member of the Compensation and Governance Committee.
- (4) The term of office of the directors will expire at the Company's next annual general meeting.
- (5) Securities beneficially owned by directors are based on information furnished to the Company by the directors and officers.

The Company does not currently have any board committees other than the Audit Committee and the Compensation and Governance Committee.

As of June 27, 2013, the date of this AIF, the directors and officers of the Company, as a group, beneficially hold a total of 1,301,002 Common Shares, directly or indirectly, representing 2,09% of the issued and outstanding Common Shares (62,219,760).

**CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

No director or executive officer of the Company is, as at the date of this AIF, or during the ten years preceding the date of this AIF has been, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) WAS THE SUBJECT OF A CEASE TRADE ORDER OR SIMILAR ORDER OR AN ORDER THAT DENIED THE RELEVANT COMPANY ACCESS TO ANY EXEMPTION UNDER SECURITIES LEGISLATION, FOR A PERIOD OF MORE THAN 30 CONSECUTIVE DAYS; OR
- (b) WAS SUBJECT TO AN EVENT THAT RESULTED, AFTER THE DIRECTOR OR EXECUTIVE OFFICER CEASED TO BE A DIRECTOR OR EXECUTIVE OFFICER, IN THE COMPANY BEING THE SUBJECT OF A CEASE TRADE OR SIMILAR ORDER OR AN ORDER THAT DENIED THE RELEVANT COMPANY ACCESS TO ANY EXEMPTION UNDER SECURITIES LEGISLATION, FOR A PERIOD OF MORE THAN 30 CONSECUTIVE DAYS.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) IS, AS AT THE DATE OF THIS AIF, OR DURING THE TEN YEARS PRECEDING THE DATE OF THIS AIF HAS BEEN, A DIRECTOR OR EXECUTIVE OFFICER OF ANY COMPANY THAT, WHILE THAT PERSON WAS ACTING IN THAT CAPACITY, OR WITHIN A YEAR OF THAT PERSON CEASING TO ACT IN THAT CAPACITY, BECAME BANKRUPT, MADE A PROPOSAL UNDER ANY LEGISLATION RELATING TO BANKRUPTCY OR INSOLVENCY OR WAS SUBJECT TO OR INSTITUTED ANY PROCEEDINGS, ARRANGEMENT OR COMPROMISE WITH CREDITORS OR HAD A RECEIVER, RECEIVER MANAGER OR TRUSTEE APPOINTED TO HOLD ITS ASSETS; OR
- (b) HAS, WITHIN THE TEN YEARS BEFORE THE DATE OF THIS AIF, BECOME BANKRUPT, MADE A PROPOSAL UNDER ANY LEGISLATION RELATING TO BANKRUPTCY OR INSOLVENCY, OR BEEN SUBJECT TO OR INSTITUTED ANY PROCEEDINGS, ARRANGEMENT OR COMPROMISE WITH CREDITORS, OR HAD A RECEIVER, RECEIVER MANAGER OR TRUSTEE APPOINTED TO HOLD THE ASSETS OF THAT PERSON.

No director, executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has:

- (a) BEEN THE SUBJECT OF ANY PENALTIES OR SANCTIONS IMPOSED BY A COURT RELATING TO SECURITIES LEGISLATION OR BY A SECURITIES REGULATORY AUTHORITY OR HAS ENTERED INTO A SETTLEMENT AGREEMENT WITH A SECURITIES REGULATORY AUTHORITY; OR
- (b) BEEN SUBJECT TO ANY OTHER PENALTIES OR SANCTIONS IMPOSED BY A COURT OR REGULATORY BODY THAT WOULD LIKELY BE CONSIDERED IMPORTANT TO A REASONABLE INVESTOR MAKING AN INVESTMENT DECISION.

## **CONFLICTS OF INTEREST**

To the best knowledge of the Company, and other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Company and a proposed director, officer or promoter of the Company except that certain of the proposed directors, officers and promoters of the Company serve as directors, officers and promoters of other companies and therefore it is possible that a conflict may arise between their duties as a director, officer or promoter of the Company and their duties as a director, officer and promoter of such other companies.

Certain of the directors and officers of the Company may be or become associated with other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors, officers and promoters of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflict of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA, as applicable, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no pending, and the Company knows of no, contemplated legal proceedings, to which our Company is a party or of which any of our properties is the subject.

There are no penalties or sanctions that have been imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year, nor any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision. The Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as set out herein, no director, executive officer or person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of the Company's outstanding voting securities, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the most recently completed financial year that has materially affected or is reasonably expected to materially affect the Company.

During the financial year ended March 31, 2013, a total of US\$23,753 for geological consulting services rendered was paid or accrued to officers or directors or to private companies associated with directors and officers of the Company. These amounts are included as a component of exploration costs. During the year ended March 31, 2013, a total of US\$50,000 was paid as salaries to an officer of the Company and US\$91,994 was paid or accrued to private companies associated with officers and directors of the Company for management services rendered. These amounts are included in general and administrative expenses.

Included in accounts payable and accrued liabilities at March 31, 2013 is US\$ Nil owed by the Company to certain officers and directors of the Company for services rendered, reimbursement of expenses and directors' fees.

At March 31, 2013, a director and officer of the Company served as a director and officer of Candente Copper and two of the Company's officers served as officers of Candente Copper. During the year ended March 31, 2013, the Company and Candente Copper shared certain office and administrative expenses and Candente Copper made certain payments on behalf of the Company. As of March 31, 2013, a total of US\$335,921 was due from the Company to Candente Copper for reimbursement.

The above transactions have been recorded at the exchange amounts agreed to by the related parties. Amounts due to related parties are considered by the Company to be accounts payable and are unsecured and non-interest bearing.

## **TRANSFER AGENTS AND REGISTRARS**

The Company's transfer agent and registrar is Computershare Investor Services Inc., Transfers may be effected at and registration facilities are maintained at:

- (a) IN BRITISH COLUMBIA, 3RD FLOOR, 510 BURRARD STREET, VANCOUVER, BRITISH COLUMBIA, V6C 3B9; AND
- (b) IN ONTARIO, 100 UNIVERSITY AVENUE, 11TH FLOOR, TORONTO, ONTARIO M5J 2Y1.

### **MATERIAL CONTRACTS**

There are no material contracts that have been entered into by the Company other than in the ordinary course of the Company's business of mineral property evaluation, acquisition and divestiture and exploration, including raising funds therefor, entered into since April 1, 2012 (being the commencement of the Company's most recently completed financial year) that are still in effect, other than the El Oro Agreement and the Casua Agreement. For additional information with respect to the El Oro and the Casua Agreements see "General Development of the Business – Three Year History" above.

### **INTEREST OF EXPERTS**

#### **NAMES OF EXPERTS**

The following persons, firms and companies are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or relating to, the Company's most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person, firm or company.

- (a) DELOITTE LLP ("DELOITTE"), OF SUITE 2800-1055 DUNSMUIR STREET, VANCOUVER, BRITISH COLUMBIA, V7X 1P4, ARE THE INDEPENDENT AUDITORS FOR THE COMPANY. DELOITTE IS INDEPENDENT FROM THE COMPANY IN ACCORDANCE WITH THE RULES OF PROFESSIONAL CONDUCT OF THE INSTITUTE OF CHARTERED ACCOUNTS OF BRITISH COLUMBIA;
- (b) NADIA CAIRA, P.GEO, CONSULTANT OF THE COMPANY, IS A QUALIFIED PERSON AS DEFINED IN NI 43-101. WHEN MS. CAIRA WAS INVOLVED IN PREPARING THE TECHNICAL REPORT FILED ON SEDAR ON JUNE 29, 2012 AND AMENDED TECHNICAL REPORT FILED ON JULY 3, 2012, SHE HELD LESS THAN 1% OF THE COMMON SHARES OF THE COMPANY. OTHER THAN AS SET OUT IN THIS AIF, AND AS DISCLOSED IN ALL OTHER DOCUMENTS FILED BY THE COMPANY ON SEDAR, NADIA CAIRA WHEN OR AFTER SHE PREPARED THE TECHNICAL REPORT, HAS NOT RECEIVED NOR IS ABOUT TO RECEIVE ANY REGISTERED OR BENEFICIAL INTERESTS, DIRECT OR INDIRECT, IN ANY SECURITIES OR OTHER PROPERTY OF THE COMPANY OR OF ONE OF THE COMPANY'S ASSOCIATES OR AFFILIATES (BASED ON INFORMATION PROVIDED TO THE COMPANY BY THEM) OR IS OR IS EXPECTED TO BE ELECTED, APPOINTED OR EMPLOYED FOR THE FIRST TIME AS AN OFFICER OF THE COMPANY OR OF ANY ASSOCIATE OR AFFILIATE OF THE COMPANY.
- (c) EACH OF JOANNE C. FREEZE, P.GEO., SEAN I. WALLER, P.ENG., MICHAEL THICKE P.GEO. AND NADIA CAIRA, P.GEO. OF THE COMPANY ARE RESPONSIBLE FOR THE PREPARATION OF CERTAIN TECHNICAL INFORMATION IN THE COMPANY'S NEWS RELEASES AND OTHER DISCLOSURE DOCUMENTS. EACH OF THEM IS A "QUALIFIED PERSON" FOR THE PURPOSES OF NI 43-101 BUT FREEZE AND WALLER ARE NOT INDEPENDENT AS EACH IS A DIRECTOR AND/OR OFFICER OF THE COMPANY. AS OF THE DATE OF THIS AIF:
  - (i) AS OF JUNE 27, 2013, THE DATE OF THIS AIF, MS. FREEZE HOLDS, DIRECTLY OR INDIRECTLY, 752,352 COMMON SHARES AND 745,000 STOCK OPTIONS OF THE COMPANY; AND
  - (ii) AS OF JUNE 27, 2013, THE DATE HEREOF, MR. WALLER HOLDS, DIRECTLY OR INDIRECTLY, 68,500 COMMON SHARES AND 535,000 STOCK OPTIONS OF THE COMPANY.

- (iii) AS OF JUNE 27, 2013, THE DATE HEREOF, MR. THICKE HOLDS, DIRECTLY OR INDIRECTLY, Nil (0) COMMON SHARES AND 90,000 STOCK OPTIONS OF THE COMPANY.
- (iv) AS OF JUNE 27, 2013, THE DATE HEREOF, MS. CAIRA HOLDS, DIRECTLY OR INDIRECTLY, 86,000 COMMON SHARES AND Nil (0) STOCK OPTIONS OF THE COMPANY.

### PROMOTERS

As a result of their role in founding and organizing the Company, Candente Copper may be considered a “promoter” of the Company under applicable Canadian securities laws. Details of the amounts paid to Candente Copper for the acquisition by the Company of the El Oro Interests and the Peruvian Properties are set out above under the heading “General Development of the Business – Three Year History”. The value of the consideration paid to Candente Copper was determined by the board of directors of the Company based on and assessments of the assets and liabilities being transferred to the Company, the anticipated exploration expenditures associated with the assets and an allocation of related taxes then payable and transaction costs.

As of the date hereof, Candente Copper beneficially owns, controls or directs, directly or indirectly, 5,536,373 Common Shares of the Company.

The Company reimburses Candente Copper for certain general and administrative expenses as set out below under “Interests of Management In Material Transactions”.

### ADDITIONAL INFORMATION

Under National Instrument 52-110 *Audit Committees*, companies that are required to file an AIF are required to provide certain disclosure with respect to their Audit Committee, including the text of the Audit Committee’s charter, the composition of the Audit Committee and the fees paid to the external auditor. This information with respect to Candente Gold is provided in Schedule “A”.

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company’s information circular in respect of its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is available in Company’s comparative audited consolidated financial statements, together with the auditor’s report thereon, and the related Management Discussion and Analysis for its most recently completed fiscal year.

A copy of this AIF, the Company’s Information Circular for its most recent annual meeting, the financial statements of the Company (including any interim statements from the past fiscal year) and Management Discussion and Analysis for the year ended March 31, 2013 and the subsequently completed interim periods in the past fiscal year may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) or be obtained upon request from the Corporate Secretary of the Company. A reasonable fee for copying may be charged if the request is made by a person who is not a registered security holder of the Company.

**SCHEDULE “A”**  
**AUDIT COMMITTEE INFORMATION**

**Audit Committee Charter**

The following is the text of the current charter for Candente Gold’s Audit Committee:

**“I. MANDATE**

The Audit Committee is elected by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- A. Oversee the process of selecting and appointing an auditor.
- B. Oversee the conduct of the audit.
- C. Identify and monitor the management of the principal risks that could impact the financial reporting of the Company.
- D. Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance.
- E. Ensure the independence of the Company's auditor in accordance with applicable standards and monitor his performance.
- F. Provide an avenue of communication among the Company's auditors, management and the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the Company's auditors and anyone in the Company that it deems necessary. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

**II. COMPOSITION AND QUORUM**

- A. The Audit Committee shall consist of a minimum of three independent directors and shall be elected at the first meeting of the Board after any Annual General Meeting.
- B. The Chair of the Audit Committee shall be elected by the Audit Committee from among their number and shall be financially literate.
- C. The members of the Audit Committee other than the Chair shall also be financially literate, subject to the exception that the Board of Directors may appoint to the Audit Committee any independent director who is not financially literate on the condition that such director become financially literate within a reasonable amount of time following his or her appointment to the Audit Committee and provided that the Board of Directors at the time of such appointment determine in writing (as evidenced by the Board's consent resolution or minutes of the Board meeting appointing such director to the Audit Committee) that the reliance on such exception from the requirement that all members of the Audit Committee be financially literate will not materially adversely affect the ability of the Audit Committee to satisfy the requirements of applicable corporate and securities laws pertaining to audit committees, including Multilateral Instrument 52-110.
- D. A quorum for the transaction of business at all meetings of the Audit Committee shall be a majority of members.

### **III. DUTIES OF THE CHAIR OF THE AUDIT COMMITTEE**

- A. Lead the Audit Committee in the performance of its duties and carrying out its responsibilities within the Terms of Reference established by the Board.
- B. Report to the Board of Directors on the outcome of the deliberations of the Audit Committee and periodically report to the Board of Directors on the activities of the Audit Committee.
- C. Meet regularly and as required with the Chief Financial Officer of the Company and other members of management to review material issues and to ensure that the Audit Committee and the Board are provided in a timely manner with all information necessary to permit the Board to fulfill its statutory and other obligations.

### **IV. TERMS OF REFERENCE**

- A. The Audit Committee must recommend to the Board of Directors:
  - (a) the auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
  - (b) the compensation of the auditor.
- B. The Audit Committee must determine the scope and terms of reference of the audit engagement and the process by which and the terms under which the auditor formally reports to the Company.
- C. The Audit Committee is directly responsible for overseeing the work of the Company's auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the Company's auditor regarding financial reporting.
- D. The Audit Committee must pre-approve all non-audit services to be provided to the Company or any subsidiary of the Company by the Company's auditor.
- E. The Audit Committee must determine that the audit fees charged by the auditor with respect to the audit are, in the opinion of the Audit Committee, appropriate in relation to the work required to support an audit opinion, without regard to fees that are paid, payable or might be paid to the auditor for other services.
- F. The Audit Committee must review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information.
- G. The Audit Committee shall prepare annually a report to the shareholders describing the steps it has taken to ensure that the auditor is independent of the Company, including:
  - (a) the policies and procedures followed so that any contracts for non-audit services with the auditor do not compromise the auditor's independence; and
  - (b) the nature of any non-audit service contracts with the auditor and the amount of the related fees.
- H. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived it from the Company's financial statements, other than the public disclosure referred to in paragraph E above, and must periodically assess the adequacy of those procedures.
- I. The Audit Committee will review all post-audit or management letters containing the recommendations of the Company's auditor and management's response/follow-ups in respect of any identified weakness.

- J. The Audit Committee will have the right, for the purpose of performing its duties, to inspect all of the books and records of the Company and its affiliates and to discuss such accounts and records and any matters relating to the financial position or condition of the Company with the officers and auditors of the Company and its affiliates.
- K. The Audit Committee must establish procedures for:
  - (a) The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - (b) Confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.
- L. The Audit Committee must establish and monitor compliance with the Company's policies regarding:
  - (a) The auditor's provision of services beyond the scope of the Company's audit; and
  - (b) The Company's hiring of partners, employees and former partners and employees of the present and former external auditor of the Company to fill senior officer positions of the Company.
- M. The Audit Committee will have such other duties, power and authorities, consistent with applicable corporate and securities laws, as the Board may, by resolution, delegate to the Audit Committee from time to time.

## **V. REGULATIONS**

The following regulations shall apply to the proceedings of the Audit Committee:

- A. The Audit Committee shall meet on such dates as the Chair of the Audit Committee determines. Notice of any meeting shall be given by letter, telecopy, email or other means of recorded electronic communication or by telephone not less than 24 hours before the time fixed for the meeting. Members may waive in writing notice of any meeting before or after the holding thereof.
- B. The business of the Audit Committee shall be transacted either at meetings thereof or by conference telephone or other communications facilities that permit all persons participating in the meeting to hear each other, or by resolution in writing. All questions at a meeting shall be decided in accordance with the vote of a majority of those present and the Chair of the meeting shall not have a second or casting vote.
- C. A resolution in writing signed by all members of the Audit Committee entitled to vote on that resolution at a meeting of the Audit Committee shall be as valid as if it has been passed at a duly called and constituted meeting. Such resolutions in writing may be in one or more counterparts, all of which, when taken together, shall be deemed to constitute one resolution.
- D. The auditor of the Company shall, at the expense of the Company, be entitled to attend and be heard at any meeting of the Audit Committee.
- E. The Audit Committee shall meet with the auditor regularly at a frequency that is reasonable in the circumstances and when otherwise reasonably necessary, without management present, to determine whether there are any disagreements between the auditor and management relating to the Company's financial disclosure and, if so, whether those issues have been resolved to the auditor's satisfaction.
- F. The auditor and senior management of the Company shall have the opportunity to meet separately with the Audit Committee.

- G. The minutes of the proceedings of the Audit Committee and any resolutions in writing shall be kept in a book provided for that purpose which shall always be open for inspection by any director of the Company.
- H. The Audit Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any such advisors.
- I. Subject to the foregoing, the calling, holding and procedure at meetings of the Audit Committee shall be determined from time to time by the Audit Committee.”

### Composition of the Audit Committee

Candente Gold’s Audit Committee is made up of the following directors:

Name	Independent	Status
Andres J. Milla, Chair of Audit Committee	Independent	Financially Literate
Larry D. Kornze	Independent	Financially Literate
Kenneth (Ken) G. Thomas	Independent	Financially Literate

### Relevant Education and Experience

The experience and education of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee is as follows:

**Andres J. Milla.** Mr. Milla has a Masters in Economics from Boston University and 15 years of experience in investment banking and capital market transactions. An Associate with First Capital Partners, Peru since 2008, he was a member of the Board of the Lima Stock Exchange from 2006 until March 2008 and general manager of Credibolsa SAB, main broker agent of the Peruvian stock market from 2006 to August 2008. Also, Capital Markets Project Manager in the Finance Area of Banco de Crédito del Peru from 2000 to 2005. Prior to this, he was a member of the Cabinet of Advisors of the Ministry of Economy and Finance of Peru and Head of Fixed Income of the Analysis Department of the Capital Market Division of Banco de Crédito. Throughout his career, Mr. Milla has participated in several prominent corporate finance operations in Peru, worth in excess of \$2 billion. As part of his involvement with the capital market of Peru, he has been also a Director of the Bolsa de Productos del Peru (Commodity Exchange in Peru) and Director of Cavali ICLV S.A., clearing and settlement institution of the Peruvian Stock Market. . Mr. Milla is currently a member of the Audit Committee and board of Candente Copper Corp.

**Larry D. Kornze.** Mr. Kornze has been in the mining business for more than 40 years and at the senior management level of public companies for in excess of 20 years. He is an economic geological engineer familiar with the evaluation and feasibility of mining projects and understands the financial statements and financial issues affecting mineral exploration and mining companies.

**Kenneth (Ken) G. Thomas.** Dr. Thomas has been in the mining business for over 40 years, serving in executive management positions at Barrick Gold Corporation, Hatch, Crystallex International Corporation and Kinross Gold Corporation, serving in various capacities, including project execution, project economics and project financing.

### Reliance on Certain Exemptions

At no time since April 1, 2012, being the commencement of Candente Gold’s most recently completed financial year, has the Company relied on the exemptions of the following sections of National Instrument 52-110 *Audit Committees* (“NI 52-110”):

- (a) Section 2.4 (De Minimis Non-audit Services);
- (b) Section 3.2 (Initial Public Offerings);

- (c) Section 3.3(2) (Controlled Companies);
- (d) Section 3.4 (Events Outside Control of Member);
- (e) Section 3.5 (Death, Disability or Resignation of Audit Committee Member);
- (f) Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances);
- (g) Section 3.8 (Acquisition of Financial Literacy); or
- (h) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### **Audit Committee Oversight**

At no time since April 1, 2012, being the commencement of Candente Gold’s most recently completed financial year, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described under the heading “Terms of Reference” of the Audit Committee Charter set out above in this Schedule “A”.

### **External Auditor Service Fees (By Category)**

The table below sets out all fees billed by our external auditor in each of the last two fiscal years. In the table “Audit Fees” are fees billed by our external auditor for services provided in auditing our financial statements for the fiscal year. “Audit-Related Fees” are fees not included in Audit Fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. “Tax Fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. “All Other Fees” are fees billed by the auditor for products and services not included in the foregoing categories.

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
March 31, 2013	CAD\$39,000	Nil	Nil	Nil
March 31, 2012	CAD\$48,000	CAD\$800	Nil	Nil

- (1) Estimated, final billing pending.
- (2) Paid to the Company’s predecessor auditor, D+H Group LLP.
- (3) Paid to, the Company’s current auditor, Deloitte LLP.