

CANDENTE GOLD CORP.
(An exploration stage company)

Consolidated Financial Statements
September 30, 2010

(Expressed in U.S. Dollars)

Unaudited- Prepared by Management

CANDENTE GOLD CORP.

Consolidated Balance Sheets
Unaudited – Prepared by Management
(Expressed in U.S. Dollars)

	September 30, 2010	March 31, 2010
ASSETS		
Current		
Cash and cash equivalents	\$ 4,080,197	\$ 6,944,999
Amounts receivable (Note 6)	282,519	101,323
Prepaid expenses and deposits	323,342	312,851
	4,686,058	7,359,173
Equipment	59,940	12,157
Value added tax receivable	9,674	4,562
Mineral properties (Notes 4 and 5)	7,314,035	6,908,284
	\$ 12,069,707	\$ 14,284,176
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 325,051	\$ 206,828
Promissory Note Payable (Note 4)	922,868	1,275,510
	1,247,919	1,482,338
SHAREHOLDERS' EQUITY		
Share capital (Notes 7, 8 & 9)	12,618,956	12,344,896
Contributed surplus (Note 10)	2,960,671	2,080,485
Deficit	(4,757,839)	(1,623,543)
	10,821,788	12,801,838
	\$ 12,069,707	\$ 14,284,176

Nature and continuance of operations and going concern (Note 1)

On Behalf of the Board of Directors:

"Andres Milla"

Director

"Larry Kornze"

Director

See accompanying notes to the consolidated financial statements

CANDENTE GOLD CORP.

Consolidated Statements of Operations and Comprehensive Loss
Unaudited – Prepared by Management
(Expressed in U.S. Dollars)

	Three Months Ended		Six Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
GENERAL AND ADMINISTRATIVE				
Depreciation	\$ 530	\$ 1,270	\$ 1,060	\$ 2,116
Audit and tax advisory	612	17,636	4,794	17,636
Bank charges	1,657	558	3,607	690
Corporate development	11,539	23,502	86,427	23,502
Legal fees	11,596	6,975	21,119	147,928
Management fees, salaries and benefits (Note 6)	58,134	26,244	141,067	45,077
Office, rent and miscellaneous	36,688	18,049	72,846	30,962
Regulatory and filing fees	44,641	-	65,165	-
Shareholder communications	13,118	638	20,944	7,693
Stock-based compensation	482,129	-	911,468	-
Travel expense	727	29,153	23,504	29,153
Interest and other income	(15,745)	-	(25,505)	-
Foreign exchange (gain) loss	(60,141)	161,825	92,537	264,399
	585,485	285,850	1,419,033	569,156
EXPLORATION				
Depreciation	2,311	-	4,111	-
Assays	42,233	-	49,834	-
Administration	166,439	-	310,835	-
Camp, field supplies and travel	346,874	5,502	434,956	11,537
Drilling	341,049	-	549,821	-
Equipment maintenance and rental	11,096	1,281	13,592	2,094
Field support and personnel	26,074	-	48,479	-
Geological and geophysical (Note 6)	115,045	81,127	258,418	118,097
Geographical information systems	17,040	99	41,009	99
Other	1,822	-	4,208	-
	1,069,983	88,009	1,715,263	131,827
Loss and comprehensive loss for the period	\$ (1,655,468)	\$ (373,859)	\$ (3,134,296)	\$ (700,983)
Loss per share:				
Basic and diluted	\$ (0.03)	\$ (0.04)	\$ (0.06)	\$ (0.08)
Weighted average number of shares outstanding				
Basic and diluted	50,138,164	10,000,000	49,803,682	9,622,642

See accompanying notes to the consolidated financial statements

CANDENTE GOLD CORP.

Consolidated Statements of Deficit and Accumulated Other Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in U.S. Dollars)

	Three Months Ended		Six Months Ended	
	September 30, 2010	September 30, 2019	September 30, 2010	September 30, 2009
Deficit, beginning of period	\$ (3,102,371)	\$ (327,124)	\$ (1,623,543)	\$ -
Loss for the period	(1,655,468)	(373,859)	(3,134,296)	(700,983)
Deficit, end of period	(4,757,839)	(700,983)	(4,757,839)	(700,983)
Accumulated other comprehensive loss, being the accumulated other comprehensive loss at end of period	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the consolidated financial statements

CANDENTE GOLD CORP.

Consolidated Statement of Cash Flows
Unaudited – Prepared by Management
(Expressed in U.S. Dollars)

CASH PROVIDED BY (USED IN):	Three Months Ended		Six Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
OPERATING ACTIVITIES				
Net loss for the period	\$ (1,655,468)	\$ (373,859)	\$ (3,134,296)	\$ (700,983)
Items not affecting cash:				
Depreciation	2,841	1,270	5,171	2,116
Unrealized foreign exchange loss (gain)	16,725	144,751	(19,118)	246,049
Stock-based compensation	482,129	-	911,468	-
Changes in non-cash working capital items:				
Increase in amounts receivable	(130,710)	(7,368)	(181,196)	(8,997)
(Increase) decrease in prepaid expenses	9,325	(288)	(10,491)	(288)
Increase (decrease) in accounts payable and accrued liabilities	(122,974)	235,993	118,223	467,769
Net cash (used in) provided by operating activities	(1,398,132)	499	(2,310,239)	5,666
INVESTING ACTIVITIES				
Acquisition of mineral properties:				
Acquisition payments	-	-	(287,279)	-
Cash received on acquisition	-	-	-	22,247
Purchase of plant and equipment	(17,457)	-	(52,954)	-
VAT tax credits	(3,601)	-	(5,112)	-
Net cash (used in) received from investing activities	(21,058)	-	(345,345)	22,247
FINANCING ACTIVITIES				
Issuance of common shares for:				
Private placements, net of share issue costs	-	-	-	-
Promissory note repayment	-	-	(333,524)	-
Exercise of warrants	118,510	-	124,306	-
Net cash received from (used in) financing activities	118,510	-	(209,218)	-
Net (decrease) increase in cash and cash equivalents	(1,300,680)	499	(2,864,802)	27,913
Cash and cash equivalents, beginning of period	5,380,877	27,414	6,944,999	-
Cash and cash equivalents, end of period	\$ 4,080,197	\$ 27,913	\$ 4,080,197	\$ 27,919
Supplemental Cash Flow Information:				
Cash received for interest	\$ 15,745	\$ -	\$ 25,505	\$ -

See accompanying notes to the consolidated financial statements

CANDENTE GOLD CORP.

Notes to the Consolidated Financial Statements
Quarter Ended June 30, 2010 (Unaudited)
Expressed in U.S. Dollars, Unless Otherwise Noted

1. Nature of Operations and Continued Operations

Candente Gold Corp. ("Candente Gold" or "the Company") was incorporated under the Business Corporations Act (British Columbia) on April 24, 2009. Candente Gold and its subsidiary companies are engaged in precious metals exploration in Mexico and Peru.

The Company has not yet determined whether its mineral properties contain reserves that are economically recoverable.

The accompanying consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. At September 30, 2010, the Company had no source of operating cash flow, an accumulated deficit of \$4,757,839 and working capital of \$3,438,139. Operations of the Company to date have been funded from a private placement financing completed by the Company in the fiscal period ended March 31, 2010.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Adverse conditions may cast substantial doubt upon the validity of this assumption. In the event the Company is unable to raise adequate future financing to fund operations and meet contractual obligations, the carrying value of the Company's assets could be subject to material adjustments. The accompanying financial statements do not reflect adjustments to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern.

The amounts shown as mineral properties represent acquisition costs to date and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or the profitable disposition of the Company's mineral property interests.

2. Basis of Presentation

The financial statements of the Company have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial statements and therefore do not include all of the information and notes required for annual financial statements. These statements follow the same accounting policies and methods of application as the most recent annual financial statements. Accordingly, they should be read in conjunction with Candente Gold's audited financial statements for the fiscal period ended March 31, 2010.

3. Accounting Pronouncements

Business Combinations, Consolidated Financial Statements and Non-controlling interest

For interim and annual financial statements relating to its fiscal year commencing on or after April 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements." The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The impact of adopting these new standards is not expected to have an impact on the Company's consolidated financial statements.

CANDENTE GOLD CORP.

Notes to the Consolidated Financial Statements
Quarter Ended June 30, 2010 (Unaudited)
Expressed in U.S. Dollars, Unless Otherwise Noted

4. Transfer of Gold-Silver Properties from Candente Copper

On April 24, 2009, Candente Copper Corp. ("Candente Copper", formerly Candente Resource Corp.) and Canaco Resources Inc. ("Canaco") incorporated Candente Gold.

Candente Gold's focus is on exploration and development of precious metals projects in Latin America.

On April 30, 2009, Candente Copper and Canaco completed the transfer to Candente Gold of their respective 50% interests in Minera CCM, S.A. de C.V. ("CCM"), the Mexican company that holds an option on the El Oro gold property ("El Oro") in Mexico (the "Option"). As consideration for the transfer of the El Oro interests, Candente Gold issued 5 million common shares and a promissory note to each of Candente Copper and Canaco, with each promissory note having a principal amount of Cdn\$1,300,000 (\$1,239,157 at December 31, 2009), payable in cash or convertible into units of Candente Gold based on the same terms and conditions as the private placement financing completed by Candente Gold in the quarter ended December 31, 2009. On December 31, 2009, Candente Copper converted its Cdn\$1,300,000 promissory note into 3,250,000 shares and 1,625,000 warrants of the Company. The warrants have an exercise price of Cdn\$0.60 per common share to January 4, 2012 (Note 9). Canaco advised the Company that it would not convert its promissory note, and the Company paid Cdn\$350,000 of the principal on June 30, 2010. The Cdn\$950,000 that remains outstanding on the Canaco promissory note must be paid by the Company on or before April 30, 2011.

The Company recorded contributed surplus of \$52,046 in connection with the transfer of the el Oro Property, as follows:

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Assets acquired:	
Cash	22,247
Accounts receivable	22,356
Equipment, net	9,226
Mineral properties	2,150,871
Liabilities assumed:	
Accounts payable	(4,817)
Consideration:	
Promissory notes	(2,147,837)
Contributed surplus	52,046
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In addition, Candente Copper transferred its Peruvian gold-silver properties (the "Properties") to Candente Gold in the quarter ending December 31, 2009, and on January 6, 2010 the Company issued 13,500,000 common shares (Note 7(b)) to Candente Copper in return for the transfer of the Properties. Other consideration for the exchange of the Properties included the granting by the Company of a copper net smelter return royalty to Candente Copper. Candente Gold also agreed to issue to Candente Copper an additional 10,000,000 of its common shares once a minimum of US\$5 million has been spent cumulatively by Candente Gold on the Properties.

The Company accounted for consideration in respect of the 13,500,000 Candente Gold shares at a value of \$4,422,011, comprised of the Candente Copper carrying cost of \$4,663,251 less \$241,240 due in cash to Candente Copper in respect of annual license costs paid for the Properties in 2009 by Candente Copper.

Pursuant to TSX policy, on January 6, 2010 the Company was deemed to have issued 872,890 Company warrants ("Company Deemed Warrants") to warrant holders of Candente Copper on the basis of one Company warrant for every five warrants in Candente Copper outstanding at that date. The 4,364,450 Candente Copper warrants (the "Copper Warrants") then outstanding had exercise prices ranging from Cdn\$1.75 to Cdn\$2.00. All of the Copper Warrants and Company Deemed Warrants expired unexercised on June 26, 2010.

Also pursuant to TSX policy, on January 6, 2010 the Company was deemed to have issued 1,638,350 Company options ("Company Deemed Options") to option holders of Candente Copper on the basis of one Company option for every five options in Candente Copper outstanding at that date. The 8,191,750 Candente Copper options (the "Copper Options") then outstanding had exercise prices ranging from Cdn\$0.42 to Cdn\$1.40 and expiry dates from January 3, 2011 to November 24, 2014. A total of 2,373,000 of the Copper Options and 474,600 of the Company Deemed Options were forfeited before March 31, 2010. The Company will receive or has received 24.06% of the exercise price on the exercise of the Copper Options, based on a predetermined

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Notes to the Consolidated Financial Statements
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formula that considered the weighted average prices of Candente Copper and Candente Gold on the first five days of Candente Gold's trading on the TSX.

5. Mineral Properties

At September 30, 2010, mineral properties were comprised of interests in mineral claims and mining concessions located in Mexico and Peru. These interests are held by the Company, or through option agreements under which the Company, directly or through a joint venture arrangement, has a right to acquire an interest in mineral properties.

Acquisition costs are capitalized. Exploration expenditures are charged to operations in the period they are incurred.

The following are the capitalized mineral property acquisition costs at March 31 and September 30, 2010:

	September 30, 2010	March 31, 2010
El Oro		
Acquisition costs	2,363,505	2,245,033
Peruvian Properties		
Acquisition costs	4,950,530	4,663,251
	<u>7,314,035</u>	<u>6,908,284</u>

On April 30, 2009, Candente Copper completed the transfer of its interest in the El Oro property to Candente Gold at a cost of \$2,150,871 (Note 4).

On May 5, 2006, CCM, Candente Copper and Canaco entered into a letter agreement (the "2006 Agreement") with Luismin, S.A. de C.V. ("Luismin") and Desarrollos Mineros San Luis, S.A. de C.V. ("Desarrollos"), subsidiaries of Goldcorp Inc., that provided CCM with an option (the "Option") to acquire up to a 70% undivided interest in El Oro, subject to a 40% back-in right, in 24 mining concessions comprising approximately 14,950 hectares located in the states of Mexico and Michoacan, Mexico. Certain exploration and mining concessions included in El Oro are subject to net smelter returns royalties. The Option is comprised of an option to initially acquire 50% of El Oro (the "First Option") and then a further 20% (the "Second Option"), and both the issue of shares and the completion of certain levels of exploration expenditures on El Oro are required to exercise the Option.

A total of \$1,700,000 in exploration expenditures had been made on El Oro by November 30, 2008, and on or before November 30, 2008 Candente Copper and Canaco issued to Luismin a total of 125,000 shares in each of their respective registered capital, all as required by the 2006 Agreement as part of the consideration for the exercise of the First Option.

In two separate letter agreements dated February 2, 2009 (the "February 2009 Agreement") and September 30, 2009 (the "September 2009 Agreement"), the parties agreed to certain amendments to the 2006 Agreement. The most significant change was the removal of the back-in right on the historic mining area which covers all known gold and silver bearing veins. In accordance with the terms of the 2006 Agreement, as amended, each of Candente Copper and Canaco committed to issue to Luismin 125,000 common shares in their respective share capital on or before November 30, 2009 (completed), and agreed that in order to exercise the First Option the Company would:

- Commit to issue to Luismin 250,000 Candente Gold shares on or before November 30, 2009 and 250,000 Candente Gold shares on or before May 30, 2010 (completed);
- Be required to issue to Luismin 250,000 Candente Gold shares on or before November 30, 2010 and 250,000 Candente Gold shares on or before November 30, 2010;

CANDENTE GOLD CORP.

Notes to the Consolidated Financial Statements
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Expressed in U.S. Dollars, Unless Otherwise Noted

5. Mineral Properties (continued)

- Commit to cumulative exploration expenditures totaling \$2,500,000 to be completed on or before May 30, 2010 (completed);
- Be required to make an additional \$2,500,000 in exploration expenditures on or before November 30, 2011;

The 2006 Agreement, as amended, now provides that in order to exercise the Second Option the Company is:

- Required to issue to Luismin 500,000 Candente Gold shares on or before November 30, 2012 and 500,000 Candente Gold shares on or before November 30, 2013; and
- Required to make an additional \$2,500,000 in exploration expenditures on or before November 30, 2012 and an additional \$2,500,000 in exploration expenditures on or before November 30, 2013.

On November 30, 2009, the Company issued 250,000 common shares to Luismin at a cost of Cdn\$100,000 (\$94,162) (Note 7(b)).

During the quarter ended December 31, 2010, the Company completed the transfer of the Peruvian Properties at a cost of \$4,663,251 (Note 4).

On May 28, 2010, the Company issued 250,000 common shares to Luismin at a cost of Cdn\$125,000 (\$118,472) (Note 7(b)).

During the quarter ended June 30, 2010, the Company incurred acquisition costs of \$287,279 to maintain the good-standing of its Peruvian Properties.

6. Related Party Transactions

During the six months ended September 30, 2010 ("YTD-2011"), a total of \$159,658 for geological consulting services rendered was paid or accrued to directors, officers or to private companies associated with directors or officers of the Company compared to \$91,551 during the period from April 24, 2009 to September 30, 2009 ("YTD-2010"). These amounts are included as a component of exploration costs.

During YTD-2011, a total of \$93,251 (YTD-2010: \$36,429) was paid as salaries and bonuses to various officers of the Company and \$23,209 was paid or accrued to private companies associated with officers and directors of the Company for management services rendered (YTD-2010: \$nil). These amounts are included in general and administrative expenses.

Included in accounts receivable at September 30, 2010 is \$10,735 owed to the Company by certain officers for expense advances. Included in accounts payable and accrued liabilities at September 30, 2010 is \$52,717 owed by the Company to certain officers and directors of the Company for services rendered, reimbursement of expenses and directors' fees.

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.

At September 30, 2010, a director and officer of the Company served as a director and officer of Candente Copper and three of the Company's officers served as officers of Candente Copper (Note 4). During the period ended September 30, 2010, the Company and Candente Copper shared certain office and administrative expenses and Candente Copper made certain payments on behalf of the Company. As of September 30, 2010, a total of \$73,507 was due from the Company to Candente Copper for reimbursement of shared general and administrative expenses.

CANDENTE GOLD CORP.

Notes to the Consolidated Financial Statements
Quarter Ended June 30, 2010 (Unaudited)
Expressed in U.S. Dollars, Unless Otherwise Noted

7. Share Capital

a) Authorized: An unlimited number of Common Shares and an unlimited number of Preferred Shares, all without par value.

b) Issued and Outstanding:

	Number of Common Shares	Amount (\$)
Balance at April 24, 2009	-	-
Issue of shares – private placement, net of issue costs	22,570,327	6,585,655
Issued for mineral property acquisition (Notes 4 and 5)	23,750,000	4,516,173
Issued on conversion of promissory note (Note 4)	3,250,000	1,239,157
Issued on exercise of stock options	8,000	3,911
Balance at March 31, 2010	49,578,327	12,344,896
Issue of shares on exercise of warrants	211,250	124,306
Transfer from contributed surplus on exercise of warrants	-	31,282
Issued for mineral property acquisition (Note 5)	250,000	118,472
Balance at September 30, 2010	50,039,577	12,618,956

During the quarter ended December 31, 2009, the Company completed a private placement (the "Private Placement") for gross proceeds of \$8,508,378 (Cdn\$9,028,130) from the sale of units ("Units") consisting of one Company common share and one half-warrant ("Warrants"). 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 is exercisable at a price of Cdn\$0.60 per common share until January 4, 2012. The Warrants issued were valued by the Company at \$1,624,195. The Company also paid to the agents assisting in the Private Placement a total of \$298,528 (Cdn\$313,186) in cash commissions and issued to the Agents 735,345 warrants ("Agents' Warrants"). The cash commissions and Agents' Warrants equal 6.5% of the aggregate number of Units sold by the agents pursuant to the Private Placement. Each of the Agents' Warrants is exercisable for a period of 24 months to purchase one additional common share of the Company at a price of Cdn\$0.60 per share. The Agents' Warrants issued as finders' fees were valued by the Company at \$105,834.

During the six months ended September 30, 2010, the Company issued 211,250 common shares on exercise of warrants and 250,000 common shares for mineral property acquisition (Note 5).

8. Stock Options

The Company has a stock-based compensation plan (the "Plan") that allows for the issuance of options up to a maximum of 15% of the Company's issued and outstanding common shares at any given time. At September 30, 2010, the Company had options outstanding to purchase a total of 4,238,250 of its common shares, and was entitled to issue options to purchase 3,267,686 additional common shares under the Plan.

The purpose of the Plan is to attract, retain and motivate directors, officers, key employees and consultants of the Company and to advance the interests of the Company by providing eligible persons with the opportunity to acquire an increased proprietary interest in the Company. Under the Plan, the grant of all stock options, and vesting provisions, if any, are at the discretion of the Company's board of directors. The term of any stock option granted may not exceed ten years and the exercise price may not be lower than the closing price of the Company's shares on the last trading day immediately preceding the date of grant. In general, stock options granted under the Plan have a term of five years with vesting provisions over a twelve month period.

CANDENTE GOLD CORP.

Notes to the Consolidated Financial Statements
 Quarter Ended June 30, 2010 (Unaudited)
 Expressed in U.S. Dollars, Unless Otherwise Noted

8. Stock Options (continued)

A continuity summary of the stock options granted under the Plan is presented below:

	Six months ended September 30, 2010		Period ended March 31, 2010	
	Number of Common Shares	Weighted- Average Exercise Price (CAD\$/Share)	Number of Common Shares	Weighted- Average Exercise Price (CAD\$/Share)
Balance, beginning of period	3,938,250	0.64	-	-
Granted	300,000	0.65	2,782,500	0.64
Granted on transfer of gold-silver properties from Candente Copper (Note 4)	-	-	1,638,350	0.88 ¹
Exercised	-	-	(8,000)	0.42 ¹
Forfeited	-	-	(474,600)	1.47 ¹
Balance, end of period	4,238,250	0.64	3,938,250	0.64

¹ Actual weighted average prices of the Candente Options. The Company will receive or has received 24.06% of the exercise proceeds from these options, based on a predetermined formula that considered the weighted average prices of Candente Copper and Candente Gold on the first five days of Candente Gold's trading on the TSX.

A summary of stock options outstanding and exercisable at September 30, 2010 is presented below:

Range of Exercise Prices per Share (Cdn\$)	Stock Options Outstanding			Stock Options Exercisable	
	Stock Options Outstanding to Purchase Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)	Weighted- Average Remaining Contractual Life (Years)	Stock Options Exercisable to Purchase Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)
\$0.33 to \$0.48	659,000	0.42	3.90	659,000	0.42
\$0.64 to \$0.85	3,457,750	0.65	4.10	2,612,125	0.65
\$1.40 to \$1.80	121,500	1.43	1.97	121,500	1.43
	4,238,250	0.64	3.90	3,392,625	0.64

Pursuant to Toronto Stock Exchange ("TSX") policy, 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 outstanding at that date. The 8,191,750 Copper Options then outstanding have exercise prices ranging from Cdn\$0.42 to Cdn\$1.40 and expiry dates from January 3, 2011 to November 24, 2014. The Company will receive 24.06% of the exercise price on the exercise of the Copper Options.

Stock options outstanding expire between January 2011 and August 2015.

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Notes to the Consolidated Financial Statements
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8. Stock Options (continued)

The fair value-based method of accounting is applied to stock options granted to employees, including directors, and non-employees. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Six Months ended September 30, 2010	From April 24, 2009 to March 31, 2010
Risk-free interest rate	2.76%	2.52%
Expected stock price volatility	90%	90%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per share under options granted	Cdn\$0.38	Cdn\$0.63

9. Share Purchase Warrants

In addition to the 11,285,162 Warrants and Agents' Warrants referred to in Note 7(b), on December 31, 2009 the Company issued 1,625,000 warrants ("Copper Warrants") to Candente Copper pursuant to the conversion of a promissory note. The Copper Warrants have an exercise price of Cdn\$0.60 per common share to January 4, 2012.

Pursuant to TSX policy, 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 in Candente Copper outstanding at that date. The 4,364,450 Candente Copper warrants then outstanding had exercise prices ranging from Cdn\$1.75 to Cdn\$2.00. These Candente Copper warrants and the deemed Company warrants expired unexercised on June 26, 2010.

A summary of the warrants outstanding at September 30 and March 31, 2010 and the changes for the periods ending on those dates is presented below:

	Six Months Ended September 30, 2010		Period Ended March 31, 2010	
	Number of Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)	Number of Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)
Balance, beginning of period	14,518,397	0.68	-	-
Issued in connection with private placement	-	-	13,645,507	0.60
Issued on transfer of gold-silver properties from Candente Copper (Note 4)	-	-	872,890	1.98 ¹
Exercised	(211,250)	0.60	-	-
Expired	(872,890)	1.98 ¹	-	-
Balance, end of period	13,434,257	0.60	14,518,397	0.68

¹ Actual weighted average prices of the Candente Warrants. The warrants expired unexercised.

The fair value-based method of accounting is applied to the issuance of share purchase warrants on the date of issuance using the Black-Scholes model. The weighted-average fair value of the warrants issued in the period ended March 31, 2010 was Cdn\$0.15 calculated using the following weighted-average assumptions: 1.47% risk-free interest rate; expected stock price volatility of 90%; expected life of 2 years; and no expected dividend yield.

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Notes to the Consolidated Financial Statements
Quarter Ended June 30, 2010 (Unaudited)
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10. Contributed Surplus

A continuity summary of contributed surplus is presented below:

	Six Months Ended September 30, 2010	Period Ended March 31, 2010
Balance, beginning of period	\$ 2,080,485	\$ -
Stock-based compensation as a result of stock options vested	911,468	404,244
Stock-based compensation as a result of share purchase warrants issued	-	1,624,195
Transfer of value to share capital on exercise of warrants	(31,282)	
Contributed surplus in association with transfer of El Oro (Note 4)	-	52,046
Balance, end of period	\$ 2,960,671	\$ 2,080,485