Consolidated financial statements of

Candente Gold Corp.

March 31, 2012 and 2011

Deloitte & Touche LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 604-685-0395
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of Candente Gold Corp.,

We have audited the accompanying consolidated financial statements of Candente Gold Corp., which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statements of net loss and comprehensive loss, changes in equity, and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Candente Gold Corp. as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred cumulative losses of $12,760,151 as of March 31, 2012, and a net loss for the year ended March 31, 2012 of $4,639,472. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(Signed) Deloitte & Touche LLP

Chartered Accountants
June 25, 2012

Candente Gold Corp.

Consolidated statements of net loss and total comprehensive loss

(Expressed in U.S. dollars)

	Years ended March 31,	
	2012	**2011**
	$	**$**
		(Note 13)
EXPLORATION		
Depreciation	18,272	13,587
Assays	111,445	105,977
Administration	436,996	716,467
Camp, filed supplies and travel	199,683	576,779
Drilling	1,843,723	1,911,906
Equipment maintenance and rental	114,664	103,105
Field support and personnel	538,798	90,917
Community relations	7,000	-
Geological and geophysical	705,603	572,494
	3,976,184	4,091,232
GENERAL AND ADMINISTRATIVE		
Depreciation	19,892	10,674
Audit and tax advisory fees	2,179	55,854
Bank charges and interest	5,381	8,439
Consulting	2,214	-
Corporate development	38,187	116,611
Legal	41,279	39,223
Management fees, office salaries and benefits	305,074	279,117
Office, rent and miscellaneous	145,627	160,733
Travel and accommodations	36,257	42,187
Regulatory and filing fees	76,700	105,289
Shareholder communications	41,052	44,251
Share-based payment (Note 7)	107,426	1,116,534
Interest and other income	(41,379)	(43,903)
(Gain) loss on foreign exchange	(116,601)	213,388
	663,288	2,148,397
Net loss	(4,639,472)	(6,239,629)
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(327,394)	278,887
	(327,394)	278,887
Total comprehensive loss	(4,966,866)	(5,960,742)
Loss per common share:		
Basic and diluted	(0.08)	(0.12)
Weighted average number of shares outstanding		
Basic and diluted	61,150,045	50,317,732

See accompanying notes to these consolidated financial statements

Candente Gold Corp.

Consolidated statements of financial position

(Expressed in U.S. dollars)

	March 31, 2012	March 31, 2011	April 1, 2010
	$	$	$
		(Note 13)	(Note 13)
ASSETS			
Current			
Cash and cash equivalents	2,364,289	8,643,417	6,944,999
Trade and other receivables	684,505	446,558	101,323
Prepaid expenses and deposits	47,096	79,832	312,851
	3,095,890	9,169,807	7,359,173
Non-current assets			
Equipment (Note 4)	83,329	97,889	12,246
Value-added tax credits (Note 6)	55,244	28,899	4,562
Unproven mineral right interests (Note 5)	12,077,844	11,558,304	10,482,826
	15,312,307	20,854,899	17,858,807
LIABILITIES			
Current			
Trade and other payables	342,497	453,515	206,828
Promissory note payable (Note 5)	-	977,165	1,275,510
	342,497	1,430,680	1,482,338
EQUITY			
Share capital (Note 7)	22,414,373	22,006,615	15,491,030
Equity reserve (Note 7)	5,364,095	5,259,396	2,766,489
Deficit	(12,760,151)	(8,120,679)	(1,881,050)
Foreign currency translation reserve	(48,507)	278,887	-
	14,969,810	19,424,219	16,376,469
	15,312,307	20,854,899	17,858,807

Nature of operations (Note 1)
Subsequent events (Note 15)

"Andres Milla"	"Andrew Smith"
Director	Director

Candente Gold Corp.

Consolidated statements of changes in equity

(Expressed in U.S. dollars)

	Share capital		Equity		Foreign Currency Translation	Total
	Number of shares	Amount	Reserve	Deficit	Reserve	Equity
		$	$	$	$	$
Balance on April 1, 2010 (Note 13)	49,578,327	15,491,030	2,766,489	(1,881,050)	-	16,376,469
						-
Common shares issued for/upon:						-
Financing, net of issue costs of $1,816,529 (Note 7)	8,841,250	4,842,625	1,626,252	-	-	6,468,877
Exercise of share warrants	1,199,220	902,749	(181,629)	-	-	721,120
Exercise of share options	245,750	244,510	(68,250)	-	-	176,260
Acquisition of mineral right interests (Note 12)	780,000	525,701	-	-	-	525,701
Share-based payment expense (Note 7)	-	-	1,116,534	-	-	1,116,534
Net loss	-	-	-	(6,239,629)	-	(6,239,629)
Foreign currency translation adjustment	-	-	-	-	278,887	278,887
Balance on March 31, 2011 (Note 13)	60,644,547	22,006,615	5,259,396	(8,120,679)	278,887	19,424,219
Common shares issued for/upon:						-
Financing, net of issue costs of $38,079 (Note 7)	400,000	296,754	14,427	-	-	311,181
Exercise of share warrants	85,713	66,762	(13,374)	-	-	53,388
Exercise of share options	16,500	19,242	(3,780)	-	-	15,462
Acquisition of mineral right interests (Note 12)	30,000	25,000	-	-	-	25,000
Share-based payment expense (Note 7)	-	-	107,426	-	-	107,426
Net loss	-	-	-	(4,639,472)	-	(4,639,472)
Foreign currency translation adjustment	-	-	-	-	(327,394)	(327,394)
Balance on March 31, 2012	61,176,760	22,414,373	5,364,095	(12,760,151)	(48,507)	14,969,810

The total of deficit and foreign currency translation reserve at March 31, 2012 was $12,808,658 (March 31, 2011: $7,841,792).

Candente Gold Corp.

Consolidated statements of cash flows

(Expressed in U.S. dollars)

	Years ended March 31,	
	2012	2011
	$	$
		(Note 13)
OPERATING ACTIVITIES		
Net loss	(4,639,472)	(6,239,629)
Items not involving cash:		
Depreciation	38,164	24,261
Share-based payment	107,426	1,116,534
Changes in non-cash working capital items:		
Increase in trade and other receivables	(239,423)	(345,235)
Decrease in prepaid expenses and deposits	32,090	233,019
(Decrease) increase in trade and other payables	(161,369)	202,462
Cash used in operating activities	(4,862,584)	(5,008,588)
INVESTING ACTIVITIES		
Purchase of equipment	(25,203)	(108,871)
Value added tax credit	(26,345)	(24,337)
Acquisition of mineral right interests	(454,219)	(484,249)
Cash used in investing activities	(505,767)	(617,457)
FINANCING ACTIVITIES		
Issuance of common shares for/upon:		
Cash, net of issue costs	311,181	6,468,877
Exercise of share warrants	53,388	721,120
Exercise of share options	15,462	176,260
Repayment of promissory note	(977,165)	(333,524)
Cash (used in) received from financing activities	(597,134)	7,032,733
Effect of exchange rate changes on cash	(313,643)	291,730
Net change in cash and cash equivalents	(6,279,128)	1,698,418
Cash and cash equivalents at the beginning of the year	8,643,417	6,944,999
Cash and cash equivalents at the end of the year	2,364,289	8,643,417
Supplemental cash flow information (Note 12)		

1. Nature of operations

Candente Gold Corp. ("Candente Gold") was incorporated under the Business Corporations Act (British Columbia) on April 24, 2009. Candente Gold is a resource-based company that seeks to acquire and explore mineral property interests, primarily in Mexico and Peru. These consolidated financial statements include the accounts of Candente Gold and of its wholly-owned subsidiaries (collectively, the "Company): Candente Gold Peru S.A.C., Candente Mexico Resource Corp., Canaco Resources (BC) Inc. and Minera CCM, S.A. de C.V.

The Company operates in one segment being the exploration and development of mineral right interests.

At the date of these consolidated financial statements, the Company has not yet determined whether any of its mineral right interests contain economically recoverable mineral reserves. Accordingly, the value of mineral right interests represents cumulative acquisition costs incurred to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of Candente Gold to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints.

Uncertainty also exists with respect to the recoverability of the carrying value of certain mineral right interests. The ability of the Company to realize on its investment in resource properties is contingent upon resolution of the uncertainties and confirmation of the Company's title to the mineral right interests.

These consolidated financial statements have been prepared on a going concern basis. The Company does not generate cash inflows from operations and accordingly, Candente Gold will need to raise additional funds through future issuance of securities. Although Candente Gold has been successful in raising funds in the past, there can be no assurance Candente Gold will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company has not determined whether any of its mineral right interests contain mineral reserves that are economically recoverable. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable level of operations. Since inception, the Company has incurred cumulative losses of $12,760,151 as of March 31, 2012 and a net loss for the year ended March 31, 2012 of $4,639,472. These factors may cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

These consolidated financial statements are presented in United States dollars and all values are rounded to the nearest dollar except where otherwise indicated.

Candente Gold's common shares are listed on the Toronto Stock Exchange ("TSX") and the Lima Stock Exchange under the trading symbol "CDG". Candente Gold's share options and warrants are not listed.

The Company's principal office is located at Suite 1650-400 Burrard Street, Vancouver, British Columbia, V6C 3A6, Canada.

These consolidated financial statements were authorized for issue by the board of directors on June 25, 2012.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with and in full compliance with International Financial Reporting Standards ("IFRS"). The Company adopted IFRS in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), as discussed in Note 13.

Previously, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

(b) Basis of presentation

The financial statements have been prepared on the historical cost basis.

(c) Adoption of new and revised standards and interpretations

The International Accounting Standards Board ("IASB") has issued the following standards which have not yet been adopted by the Company. Unless otherwise stated, each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet assessed the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

<u>IFRS 7 Amendments – Offsetting financial assets and liabilities</u>

The IASB has issued *Disclosures – Offsetting Financial Assets and Liabilities* as Amendments to IFRS 7, intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position.

<u>IFRS 9 – Financial instruments - classification and measurement</u>

In November 2009 and October 2010, the IASB issued IFRS 9 – Financial instruments ("IFRS 9"), Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also proposes a new expected loss impairment method to be used, replacing the existing incurred loss model in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive income ("OCI"), instead of net profit, unless this would create an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted.

2. Basis of presentation (continued)

(c) Adoption of new and revised standards and interpretations (continued)

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of interests in other entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair value measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received on the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 1 – Presentation of financial statements

Effective for annual periods beginning on or after July 1, 2012, requires that elements of other comprehensive income that may subsequently be recycled through profit or loss be differentiated from those items that will not be recycled.

IAS 32 – Offsetting financial assets and liabilities

The IASB has clarified its requirements for offsetting financial instruments by issuing Amendments to IAS 32 that address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments Presentation. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

2. Basis of presentation (continued)

(c) Adoption of new and revised standards and interpretations (continued)

IFRIC 20 – Stripping costs in the production phase of a surface mine

IFRIC 20 applies to production stripping costs incurred on or after the beginning of the earliest period presented. Any 'predecessor stripping asset' at that date is required to be reclassified as a part of the existing asset to which the stripping activity is related (to the extent there remains an identifiable component of the ore body to which it can be associated), or otherwise recognized in opening retained earnings at the beginning of the earliest period presented.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

3. Summary of significant accounting policies

a) Basis of consolidation

These consolidated financial statements include the financial statements of Candente Gold and its controlled subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of net loss and total comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

b) Interest income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

c) Foreign currency translation

The functional currency of subsidiaries has been determined is the U.S. dollar, which is the currency of the primary economic environment in which the entities operate. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the parent entity is the Canadian dollar. The presentation currency of the Company is the U.S. dollar. The parent company is translated from its functional currency into U.S. dollars on consolidation. Items in the statement of net loss and total comprehensive loss are translated using average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the statement of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of the parent company are recognized in a separate component of equity.

3. Summary of significant accounting policies (continued)

d) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment items are depreciated over their estimated useful lives on a straight line basis over their estimated useful lives, at the following rates: 3 to 10 years for equipment and 4 years for vehicles and field equipment. Leasehold improvements are recorded at cost net of recoveries and amortized on a straight-line basis over the term of lease agreements.

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of net loss and total comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

e) Income taxes

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Summary of significant accounting policies (continued)

e) Income taxes (continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity or other OCI is recognized in equity or OCI and not in the statement of net loss and total comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

f) Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

3. Summary of significant accounting policies (continued)

f) Share-based payments (continued)

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

g) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for when there is a significant or prolonged decline in the fair value of that investment below its cost, at which time the impairment is recognized in profit or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. Summary of significant accounting policies (continued)

g) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

h) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the acquisition, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately.

3. Summary of significant accounting policies (continued)

j) Business combinations (continued)

The interest of non-controlling shareholders in the acquiree is measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred.

l) Significant accounting estimates and judgements

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Examples of significant estimates include: determination of fair value upon acquisition of assets, the carrying values of unproven mineral right interests and equipment; the rates of depreciation for equipment; the recoverability of trade and other receivables; the valuation of deferred income tax amounts; assumptions incorporated in impairment testing; the calculation of share-based payments and the determination of environmental obligations.

Examples of significant judgements, apart from those involving estimation include: the accounting policies for mineral right interests and equipment; recoverability of capitalized amounts; recognition of deferred tax assets and liabilities; functional currency and the determination of the economic viability of a project.

m) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

3. Summary of significant accounting policies (continued)

n) Unproven mineral right interests

The Company capitalizes all costs, net of any recoveries, of acquiring an unproven mineral right interest, until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property, or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. An indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, or if the entity has decided to discontinue exploration activity in a specific area. Management's assessment of the mineral right's fair value is also based upon a review of other mineral right transactions that have occurred in the same geographic area as that of the rights under review.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the costs of the related mineral rights, with any excess being included in operations. No option payments were received during the years ended March 31, 2012 and 2011.

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral right interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

o) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether any indicators exist that the Company's financial assets are impaired.

<u>Assets measured at amortized cost</u>

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

3. Summary of significant accounting policies (continued)

o) Impairment of financial assets (continued)

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

<u>Assets classified as available for sale</u>

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognized in profit or loss.

p) Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of net loss and total comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3. Summary of significant accounting policies (continued)

r) Provisions for site restoration

Obligations to retire a non-financial asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations.

On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-financial asset. The liability is increased over time through periodic charges to profit or loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

s) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the dilutive number of shares is calculated based on the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period. During the years ended March 31, 2012 and 2011 all the outstanding share options and warrants were anti-dilutive.

(Expressed in U.S. dollars, except number of shares and per share amounts)

4. Equipment

	Equipment	Vehicles and field equipment	Leasehold Improvements	Total
	$	$	$	$
Cost				
Balance at April 1, 2010	10,281	8,786	-	19,067
Additions	57,493	44,891	8,473	110,857
Foreign exchange movement	313	-	-	313
Balance at March 31, 2011	68,087	53,677	8,473	130,237
Additions	25,203	-	-	25,203
Foreign exchange movement	(1,259)	-	(214)	(1,473)
Balance at March 31, 2012	92,031	53,677	8,259	153,967
Accumulated depreciation				
Balance at April 1, 2010	2,428	4,393	-	6,821
Depreciation	14,277	9,078	906	24,261
Foreign exchange movement	1,184	-	82	1,266
Balance at March 31, 2011	17,889	13,471	988	32,348
Depreciation	25,389	11,222	1,553	38,164
Foreign exchange movement	52	-	74	126
Balance at March 31, 2012	43,330	24,693	2,615	70,638
Carrying amount				
At April 1, 2010	7,853	4,393	-	12,246
At March 31, 2011	50,198	40,206	7,485	97,889
At March 31, 2012	48,701	28,984	5,644	83,329

5. Unproven mineral right interests

At March 31, 2012, unproven mineral right interests were comprised of various early-stage exploration 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.

(Expressed in U.S. dollars, except number of shares and per share amounts)

5. Unproven mineral right interests (continued)

The following are the capitalized mineral right interest acquisition costs:

	El Oro	Peruvian Properties	Total
	$	$	$
Balance, April 1, 2010	6,706,836	3,775,990	10,482,826
Acquisition costs and payments	731,383	316,940	1,048,323
Exchange differences	27,155	-	27,155
Balance, March 31, 2011	7,465,374	4,092,930	11,558,304
Balance, April 1, 2011	7,465,374	4,092,930	11,558,304
Acquisition costs and payments	176,056	358,965	535,021
Exchange differences	(15,481)	-	(15,481)
Balance, March 31, 2012	7,625,949	4,451,895	12,077,844

Transfer of Mineral Right Interests

On April 24, 2009, Candente Copper Corp. (“Candente Copper”) and Canaco Resources Inc. (“Canaco”) incorporated Candente Gold and 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 valued at $4,509,895 and a promissory note to each of Candente Copper and Canaco. Each promissory note had a principal amount of Cdn$1,300,000, 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 had an exercise price of Cdn$0.60 per common share and expired unexercised on January 4, 2012. The note with Canaco was repaid in two instalments: Cdn$350,000 paid in the quarter ended June 30, 2010 and Cdn$950,000 paid in the quarter ended June 30, 2011.

In addition, Candente Copper transferred its Peruvian gold-silver properties (the “Peruvian Properties”) to Candente Gold in the quarter ended December 31, 2009 and on January 6, 2010, the Company issued 13,500,000 common shares valued at $3,058,250 to Candente Copper in return for the transfer of the Peruvian Properties as well as $476,500 related to the fair value of Candente Gold’s portion of certain Candente Copper options and warrants then outstanding. Other consideration for the exchange of the Peruvian Properties included the granting by the Company of a copper net smelter return royalty to Candente Copper. Further, Candente Gold agreed to issue to Candente Copper an additional 10,000,000 of its common shares once a minimum of $5 million has been spent cumulatively by Candente Gold on the Peruvian Properties.

5. Unproven mineral right interests (continued)

El Oro

On May 5, 2006, CCM, Candente Copper and Canaco entered into a letter agreement (the "2006 Agreement") with Goldcorp Mexico, S.A. de C.V.(now Goldcorp S.A. de C.V. ("Goldcorp Mexico")) 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 initial option to acquire 50% of El Oro (the "First Option") and then a further 20% (the "Second Option"). The issuance of shares and the completion of certain levels of exploration expenditures on El Oro are required to exercise the 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 Goldcorp Mexico 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 Goldcorp Mexico 1,000,000 Candente Gold shares at various dates on or before November 30, 2011 (completed);

- Commit to cumulative exploration expenditures totaling $5,000,000 to be completed on or before November 30, 2011 (completed);

Accordingly, during the year ended March 31, 2011, the Company completed the requirements of the First Option and acquired a 50% interest in the El Oro project.

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

- Required to issue to Goldcorp Mexico 500,000 Candente Gold shares on or before November 30, 2012 and 500,000 Candente Gold shares on or before November 30, 2013 (both completed subsequent to March 31, 2012 (Note 15)); 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 (both completed subsequent to March 31, 2012 (Note 15)).

Peruvian Properties

The Company has a 100% interest in nine early to mid-stage gold and gold-silver exploration projects in Peru: Tres Marias, Oro Queropalca, Lunahuana, Fredito, Las Brujas, Picota, Alto Dorado, El Tigre and Las Sorpresas.

6. Valued added tax credits

Expenses incurred by the Company in Peru, including exploration expenses, are subject to Peruvian Value Added Tax ("VAT"). The Company has total VAT credits of $55,244 at March 31, 2012 (March 31, 2011: $28,899, April 1, 2010: $4,562).

Given that the Company is in the exploration stage and has no sources of revenue, the VAT is not currently refundable to the Company, but can be used in the future to offset amounts due to the Peruvian taxation authorities by the Company resulting from VAT charged to clients on future sales.

7. Share capital and equity reserves

Share capital

At March 31, 2012, Candente Gold's authorized share capital consisted of an unlimited number of common shares and an unlimited number of preferred shares, all without par value. All issued common shares are fully paid.

- During the year ended March 31, 2012, the underwriters who participated in the Financing described below exercised their over-allotment option, raising additional gross proceeds for Candente Gold of $334,833 (Cdn$320,000). Candente Gold issued 400,000 units (the "Units") at a price of Cdn$0.80 per Unit, with each Unit consisting of one common share of Candente Gold and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder thereof to acquire one common share of Candente Gold at a price of Cdn$1.10 until March 30, 2013. The underwriters received a cash commission equal to 6.75% of the gross proceeds received from the over-allotment and warrants entitling them to acquire a total of 24,000 common shares of Candente Gold at a price of Cdn$0.86 per common share until March 30, 2013. The Agents' Warrants issued as finders' fees were valued by Candente Gold at $2,557.

- During the year ended March 31, 2011, Candente Gold completed a bought-deal short form prospectus financing (the "Financing") for gross proceeds of $6,659,154 (Cdn$6,500,000). In connection with the Financing, Candente Gold issued 8,125,000 Units at a price of Cdn$0.80 per Unit. Each Unit consisted of one common share of Candente Gold and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder thereof to acquire one common share of Candente Gold at a price of Cdn$1.10 to March 30, 2013. The underwriters who led the Financing exercised a portion of the over-allotment option to acquire an additional 716,250 Units and 51,250 Warrants for additional gross proceeds of $590,180 (Cdn$576,075) and received a cash commission equal to 6.75% of the gross proceeds raised in the Financing and warrants entitling them to purchase such number of common shares of Candente Gold in an amount equal to 6% of the number of Units issued at a price of Cdn$0.86 per common share until March 30, 2013. The Agents' Warrants issued as finders' fees were valued by Candente Gold at $198,548.

(Expressed in U.S. dollars, except number of shares and per share amounts)

7. Share capital and equity reserves (continued)

Share Options

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based payments.

Candente Gold has an incentive share option plan (the "Plan"). Under the Plan a total of 10% of Candente Gold's outstanding common shares are reserved for issuance at the discretion of the Board of Directors. The terms of each option award is fixed by the Board of Directors at the time of grant. Share options awarded have a maximum term of five years.

Following the spin-out of Candente Gold from Candente Copper in January 2010, the Company has a commitment to issue shares of Candente Gold upon exercise of certain outstanding Candente Copper options ("Deemed Options"), The Company has deemed to have issued 1,638,350 Deemed Options, representing 8,191,750 options of Candente Copper with exercise prices ranging from Cdn$0.42 to Cdn$1.40 and expiry dates ranging from January 3, 2011 to November 24, 2014. The Deemed Options had a fair value of $476,500 at the date of the spin-out.

Share options were awarded during 2012 and 2011 as follows:

	Options Outstanding	Weighted average exercise price
		$ (Cdn$)
Balance at April 1, 2010	3,938,250	0.64
Granted	500,000	0.72
Exercised	(245,750)	0.60
Expired	(20,000)	0.70
Balance at March 31, 2011	4,172,500	0.65
Granted	230,000	0.65
Exercised	(16,500)	0.80
Forfeited	(910,000)	0.67
Balance on March 31, 2012	3,476,000	0.65

For the 16,500 options exercised during the year ended March 31, 2012, the weighted average closing share price at the date of exercise was Cdn$0.39 (2011: Cdn$0.83).

(Expressed in U.S. dollars, except number of shares and per share amounts)

7. Capital and equity reserve (continued)

Exercise prices	Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life
(Cdn$)		(Cdn$)	(years)		(Cdn$)	(years)
0.33 to 0.53	552,000	0.42	2.39	552,000	0.42	2.39
0.54 to 0.64	2,347,500	0.64	2.88	2,347,500	0.64	2.88
0.65 to 0.73	155,000	0.65	4.15	116,250	0.65	4.15
0.74 to 1.10	300,000	0.80	2.17	300,000	0.80	2.17
1.11 to 1.80	121,500	1.43	0.22	121,500	1.43	0.22
	3,476,000	0.65	2.71	3,437,250	0.65	2.69

The fair value of share options awarded to employees and directors was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions for the periods presented below:

	March 31, 2012	March 31, 2011
	$	$
Risk-free interest rate	**2.05%**	**2.00%**
Estimated volatility	**85%**	**90%**
Expected life	**3.57 years**	**3.43 years**
Estimated forfeiture rate	**1.00%**	**0.00%**

The weighted average fair value of share options awarded during the year ended March 31, 2012, estimated using the Black-Scholes option pricing model was Cdn$0.39 per option. The weighted average fair value of share options awarded during the year ended March 31, 2011, estimated using the Black-Scholes option pricing model was Cdn$0.44 per option.

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. Candente Gold uses expected volatility rates which are based upon the historical volatility of Candente Gold’s share price. Changes in the underlying assumptions can materially affect the fair value estimates.

A share-based payment expense of $72,126 (Cdn$73,714) for the options granted in the year ended March 31, 2012 will be amortized over the vesting period, of which $68,692 (Cdn$70,230) was recognized in the year ended March 31, 2011.

The total share-based compensation expense for the year ended March 31, 2012 was $107,426 (year ended March 31, 2011: $1,116,534).

The intrinsic value of outstanding share options at March 31, 2012 was Cdn$nil (2011: Cdn$666,525).

(Expressed in U.S. dollars, except number of shares and per share amounts)

7. Capital and equity reserve (continued)

Warrants

The fair value of the warrants issued during the year ended March 31, 2012 was estimated at Cdn$0.05 per warrant at the grant date using the Black-Scholes option pricing model.

The fair value of the warrants issued during the year ended March 31, 2011 was estimated at Cdn$0.32 per warrant at the grant date using the Black-Scholes option pricing model.

The warrants outstanding at March 31, 2012 have exercises prices ranging from Cdn$0.86 to Cdn$1.10 and expire on March 30, 2013.

The weighted average assumptions used for the calculation were:

	March 31, 2012	March 31, 2011
		$
Risk-free interest rate	**1.86%**	1.77%
Estimated volatility	**30%**	90%
Expected life	**2 years**	2 years

The following summarizes information about warrants outstanding at March 31, 2012:

	Warrants Outstanding	Weighted average exercise price
		$ (Cdn$)
Balance at April 1, 2010	14,518,397	0.68
Granted	5,002,350	1.07
Exercised	(1,199,220)	0.60
Expired	(872,890)	1.98
Balance at March 31, 2011	17,448,637	0.74
Granted	224,000	1.07
Exercised	(85,713)	0.60
Expired	(12,360,574)	0.60
Balance on March 31, 2012	5,226,350	1.07

(Expressed in U.S. dollars, except number of shares and per share amounts)

7. Capital and equity reserve (continued)

Following the spin-out of Candente Gold from Candente Copper in January 2010, the Company has a commitment to issue shares of Candente Gold upon exercise of certain Candente Copper warrants ("Deemed Warrants"). The Company as deemed to have issued 872,890 Deemed Warrants, representing 4,364,450 warrants of Candente Copper, with exercise prices ranging from Cdn$1.75 to Cdn$2.00 and an expiry date of June 26, 2010. All Deemed Warrants expired unexercised.

8. Income taxes

a) Income tax expense reported differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the loss before the tax provision due to the following:

	2012	2011
	$	$
Loss before tax	**(4,639,472)**	(6,239,629)
Statutory tax rate	**26.19%**	28.50%
Expected income tax recovery	**(1,212,294)**	(1,794,857)
Changes attributable to:		
Share-based payment	**27,496**	402,505
Difference in tax rates between Canada and foreign jurisdictions	**(134,414)**	-
Tax effect of tax losses and temporary differences not recognized	**1,546,582**	1,391,916
Effect of change in future tax rates and others	**(227,370)**	436
Income tax expense	**-**	-

b) Unrecognized deductible temporary differences and unused tax losses:

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2012	2011
	$	$
Non-capital losses	**9,415,787**	5,928,780
Share issue costs	**647,775**	866,302
Foreign exploration	**6,067,384**	5,121,068
Tax values in excess of net book value of equipment	**6,495**	13,503
Capital losses	**185,870**	-
Equipment	**88,430**	88,430
Unrecognized deductible temporary differences	**16,411,741**	12,018,083

(Expressed in U.S. dollars, except number of shares and per share amounts)

8. Income taxes (continued)

c) Expiry dates of unused tax losses

At March 31, 2012, the Company has non-capital operating losses of approximately $2.6 million (2011 - $2 million) for deduction against future taxable income in Canada. The operating losses expire as follows:

	$
2030	729,303
2031	1,290,285
2032	565,170
	2,584,758

The Company also had net operating loss carry-forwards for tax purposes of approximately $155,000 (2011 - $93,526) and resource related amounts totaling approximately $6.07 million (2011 - $5.12 million) available, subject to certain restrictions, for deduction against future taxable income in Peru. The Company has the option to carry forward all net operating losses for 4 years or carry the losses forward indefinitely, but only up to 50% of the Company's taxable income for each subsequent year.

Finally, the Company had net operating loss-carry forwards for tax purposes of approximately $6.7 million (2011 - $3.8 million) available, subject to certain restrictions, for deduction against future taxable income in Mexico.

Management believes that sufficient uncertainty exists regarding the realization of certain deferred income tax assets and that no deferred tax asset should be recorded.

9. Related party transactions

Details of the transactions between the Company and other related parties are disclosed below.

a) Trading transactions

The Company's related parties consist of companies owned by executive officers and directors as follows:

	Nature of transactions
Ridley Rocks Inc.	Management and exploration fees
SW Project Management Ltd.	Management and exploration fees
Delphis Financial Strategies Inc.	Management fees

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the amount agreed upon between the two parties.

(Expressed in U.S. dollars, except number of shares and per share amounts)

9. Related party transactions (continued)

	Years ended March 31, 2012	2011
	$	$
Management fees	**48,416**	47,218
Salaries	**132,494**	168,788
Exploration expenses - fees	**117,354**	284,431
	298,264	500,437

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Trade payables at March 31, 2012 included $17,634 (March 31, 2011: $29,875; April 1, 2010: $41,869), which were due to companies controlled by directors and officers of the Company.

d) Compensation of key management personnel

The remuneration of directors and other members of key management personnel who have the authority and responsibility for planning, directing and continuing the activities of the Company during the years ended March 31, 2012 and 2011 were as follows:

	Note	Years ended March 31, 2012	2011
		$	$
Salaries, fees and directors' fees	(i)	**298,264**	500,437
Share-based payment	(ii)	**-**	791,442
	(iii)	**298,264**	1,291,879

(i) Salaries, fees and director's fees include consulting and management fees disclosed in note 9(a).

(ii) Share-based payments are the fair-value of options granted to key management personnel.

(iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended March 31, 2012 and 2011.

(Expressed in U.S. dollars, except number of shares and per share amounts)

10. Segmented information

The Company operates in three geographical areas, being Mexico, Peru and Canada. The following is an analysis of the Company's assets by geographical area and reconciled to the Company's consolidated financial statements:

				March 31, 2012
	Canada	**Mexico**	**Peru**	**Total**
	$	**$**	**$**	$
Current assets	**2,263,051**	**806,660**	**26,179**	3,095,890
Value-added tax credits	**-**	**-**	**55,244**	55,244
Equipment	**29,895**	**49,285**	**4,149**	83,329
Unproven mineral right interests	**-**	**7,625,949**	**3,975,395**	11,601,344
Total assets	**2,292,946**	**8,481,894**	**4,060,967**	14,835,807

				March 31, 2011
	Canada	Mexico	Peru	Total
	$	$	$	$
Current assets	8,560,420	590,979	18,408	9,169,807
Value-added tax credits	-	-	28,899	28,899
Equipment	25,702	67,556	4,631	97,889
Unproven mineral right interests	-	7,465,374	3,616,430	11,081,804
Total assets	8,586,122	8,123,909	3,668,368	20,378,399

11. Financial instruments

a) Management of capital risk

The capital structure of the Company consists of equity comprising share capital, equity reserve, deficit and other comprehensive loss. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company is not subject to externally imposed capital requirements.

(Expressed in U.S. dollars, except number of shares and per share amounts)

11. Financial instruments (continued)

b) Categories of financial instruments

	2012	2011
	$	$
Loans and receivables		
Cash and cash equivalents	**2,364,289**	8,643,417
Trade and other receivables	**684,505**	446,558
	3,048,794	9,089,975

	2012	2011
	$	$
Other financial liabilities at amortised cost		
Trade and other payables	342,497	453,515
Promissory note payable	**-**	977,165
	342,497	1,430,680

e) Fair value of financial instruments

(i) Fair value estimation of financial instruments

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying values due to the short-term to maturities of these financial instruments.

(ii) Fair value measurements recognized in the statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Company has no Level 1, 2 or 3 financial instruments at March 31, 2012. There were no transfers between levels 1, 2 or 3 during the year ended March 31, 2012.

11. Financial instruments (continued)

f) Financial risk management

(i) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Mexico, Peru and Canada. Its presentation currency is the United States dollar. The majority of its cash is held in the parent company in Canadian dollars. As a result, a change in the currency exchange rates between the Canadian dollar and the United States dollar could have a material effect on the Company's financial performance, financial position or cash flows. Most of the Company's costs in Canada are denominated in Canadian dollars and most of the Company's exploration expenses in Mexico and Peru are denominated in U.S. dollars. As of March 31, 2012, the Company is exposed to currency risk through assets and liabilities denominated in Canadian dollars, Mexican pesos and Peruvian nuevo soles.

The carrying amount of the Company's foreign-currency denominated monetary assets and liabilities at March 31, 2012 is as follows:

	Denominated in		
	Canadian dollars	Mexican Pesos	Peruvian nuevo soles
	$	$	$
Cash and cash equivalents	2,153,013	32,503	3,367
Trade and other receivables	25,574	657,628	1,303
Trade and other payables	(141,673)	(84,701)	(21,944)
As stated in U.S. dollars	2,036,914	605,430	(17,274)

Based on the above net exposures as of March 31, 2012 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar, Mexican peso or Peruvian nuevo sol against the United States dollar would result in an increase/decrease of approximately $186,638 in the Company's net loss in respect of changes to exchange rate of the Canadian dollar.

(ii) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are predominantly held in large Canadian financial institutions. The Company's trade and other receivables consist primarily of value added taxes from the governments of Canada and Mexico. The Company's maximum credit exposure was $684,505 at March 31, 2012 (March 31, 2011: $446,558).

(Expressed in U.S. dollars, except number of shares and per share amounts)

11. Financial instruments (continued)

e) Financial risk management

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage.

Trade and other payables are generally payable within sixty days or less. Given its cash resources of $2,364,289 at March 31, 2012, the Company believes it has sufficient liquidity to meet its current obligations.

(iv) Interest rate risk

Included in the results of operations of the Company is interest income earned on cash and cash equivalents. Interest income is not material to the Company. The Company has no outstanding debt subject to interest. Accordingly the Company's opinion is that there currently is no significant interest rate risk for the Company.

(v) Commodity price risk

The ability of the Company to develop its mineral right interests and the future profitability of the Company are directly related to the market price of gold.

12. Supplemental cash flow information

Cash and cash equivalents consist of:

	March 31, 2012	March 31, 2011	April 1, 2010
	$	$	$
Cash	286,238	7,083,740	162,122
Cash equivalents	2,078,051	1,559,677	6,782,877
	2,364,289	8,643,417	6,944,999

Cash equivalents consist of highly-liquid investments, mostly Guaranteed Investment Certificates.

During the year ended March 31, 2012, the Company issued 30,000 shares with a value of $25,000 in exchange for certain mineral right interests.

During the year ended March 31, 2011, the Company issued 780,000 shares with a value of $525,701 in exchange for certain mineral right interests.

13. First time adoption of IFRS

The Company adopted IFRS effective April 1, 2011 with a transition date of April 1, 2010.

Under IFRS 1, IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied. The Company elected to take the following IFRS 1 optional exemptions:

- Not to restate business combinations which occurred prior to the transition date and the accounting thereof.
- Reclassify the cumulative translation difference reserve for all foreign operations to zero at the date of transition to IFRS.
- Extinguishing financial liabilities with equity instruments.
- Share-based payments – IFRS 2 Share-based payments encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply IFRS 2 for only those outstanding equity instruments granted after November 7, 2002 that had not vested by the transition date.

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments presented in the tables listed in the following pages.

Note 1 Under Canadian GAAP, the mineral right interests transferred to the Company by Candente Copper were transferred at their carrying value. Under IFRS, the transfer of mineral right interests was accounted for at fair value, which takes into account the shares, Deemed Options and Deemed Warrants issued as part of the transaction. The impact of this difference as of April 1, 2010 was a net increase of $3,570,588 to unproven mineral right interests, an increase of $3,146,134 in share capital and an increase of $424,454 in equity reserve. The impact in the year ended March 31, 2011 was a transfer of $68,250 between equity reserve and share capital, upon exercise of Deemed Options and Deemed Warrants.

Note 2 Under Canadian GAAP, the Company and all of its subsidiaries had a U.S. dollar functional currency. Under IFRS, the functional currency of the parent company is the Canadian dollar as this is the currency in which it primarily generates and expends cash. The Company's presentation currency remains the U.S. dollar. The period end exchange rate is applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS and a cumulative translation adjustment on each statement of financial position date. The impact of this IFRS adjustment as of April 1, 2010 was an increase of $89 in equipment, an increase of $3,954 in unproven mineral interests and a reduction in deficit of $4,043 per the exemption elected above whereby the foreign currency translation adjustment was reclassified to $nil at April 1, 2010. As of March 31, 2011, the impact of this adjustment was an increase of $1,033 in equipment, an increase of $21,303 in unproven mineral interests, an increase in deficit of $256,551 and an increase to cumulative translation allowance of $278,887.

13. First time adoption of IFRS (continued)

Note 3 Under Canadian GAAP, the Company recorded share-based payments on a straight-line basis over the vesting period. Under IFRS, the Company calculates the fair value for share-based payments for each tranche within an award over the vesting period of the corresponding tranche. The impact from this adjustment on April 1, 2010 was an increase to other equity reserve and deficit of $261,550. During the year ended March 31, 2011, there was a decrease of $314,665 to share-based payment and other equity reserve from this adjustment.

(Expressed in U.S. dollars, except number of shares and per share amounts)

13. First time adoption of IFRS (continued)

Reconciliation of statements of financial position

The reconciliation between Canadian GAAP and IFRS statements of financial position at April 1, 2010 and March 31, 2011 is provided below.

	April 1, 2010			
	Canadian GAAP	Transition Impact	Note	IFRS
	$	$		$
ASSETS				
Current				
Cash and cash equivalents	6,944,999	-		6,944,999
Trade and other receivables	101,323	-		101,323
Prepaid expenses and deposits	312,851	-		312,851
	7,359,173	-		7,359,173
Non-current assets				
Equipment	12,157	89	2	12,246
Value-added tax credits	4,562	-		4,562
Unproven mineral right interests	6,908,284	3,574,542	1, 2	10,482,826
	14,284,176	3,574,631		17,858,807
LIABILITIES				
Current				
Trade and other payables	206,828	-		206,828
Promissory note payable	1,275,510	-		1,275,510
	1,482,338	-		1,482,338
EQUITY				
Share capital	12,344,896	3,146,134	1	15,491,030
Equity reserve	2,080,485	686,004	1, 3	2,766,489
Deficit	(1,623,543)	(257,507)	2	(1,881,050)
	12,801,838	3,574,631		16,376,469
	14,284,176	3,574,631		17,858,807

(Expressed in U.S. dollars, except number of shares and per share amounts)

13. First time adoption of IFRS (continued)

	March 31, 2011			
	Canadian GAAP	Transition Impact	Note	IFRS
	$	$		$
ASSETS				
Current				
Cash and cash equivalents	8,643,417	-		8,643,417
Trade and other receivables	446,558	-		446,558
Prepaid expenses and deposits	79,832	-		79,832
	9,169,807	-		9,169,807
Non-current assets				
Equipment	96,767	1,122	2	97,889
Value-added tax credits	28,899	-		28,899
Unproven mineral right interests	7,962,459	3,595,845	1, 2	11,558,304
	17,257,932	3,596,967		20,854,899
LIABILITIES				
Current				
Trade and other payables	453,515	-		453,515
Promissory note payable	977,165	-		977,165
	1,430,680	-		1,430,680
EQUITY				
Share capital	18,792,231	3,214,384	1	22,006,615
Equity reserve	4,956,307	303,089	1, 3	5,259,396
Deficit	(7,921,286)	(199,393)	2, 3	(8,120,679)
Foreign currency translation reserve	-	278,887	2	278,887
	15,827,252	3,596,967		19,424,219
	17,257,932	3,596,967		20,854,899

(Expressed in U.S. dollars, except number of shares and per share amounts)

13. First time adoption of IFRS (continued)

Reconciliation of total comprehensive loss

The reconciliation between Canadian GAAP and IFRS total comprehensive loss for the year ended March 31, 2011 is provided below.

	Canadian GAAP	Transition Impact	Note	IFRS
	$	$		$
GENERAL AND ADMINISTRATIVE				
Depreciation	10,674	-		10,674
Audit and tax advisory fees	55,854	-		55,854
Bank charges and interest	8,439	-		8,439
Corporate development	116,611	-		116,611
Legal	39,223	-		39,223
Management fees, office salaries and benefits	279,117	-		279,117
Office, rent and miscellaneous	160,733	-		160,733
Travel and accommodations	42,187	-		42,187
Regulatory and filing fees	105,289	-		105,289
Shareholder communications	44,251	-		44,251
Share-based payment (Note 7)	1,431,199	(314,665)	3	1,116,534
Interest and other income	(43,903)	-		(43,903)
(Gain) loss on foreign exchange	(43,163)	256,551	2	213,388
	2,206,511			2,148,397
EXPLORATION				
Depreciation	13,587	-		13,587
Assays	105,977	-		105,977
Administration	716,467	-		716,467
Camp, filed supplies and travel	576,779	-		576,779
Drilling	1,911,906	-		1,911,906
Equipment maintenance and rental	103,105	-		103,105
Field support and personnel	90,917	-		90,917
Geological and geophysical	572,494	-		572,494
	4,091,232			4,091,232
Net loss	(6,297,743)			(6,239,629)
Other comprehensive income:				
Foreign currency translation adjustment	-	278,887	2	278,887
	-			278,887
Total comprehensive loss	(6,297,743)			(5,960,742)

Statement of cash flows

The IFRS transition adjustments noted above did not have an impact on the Company’s net cash flows. There was no change to investing and financing cash flow sub-totals.

14. Commitments

The Company has entered into various lease agreements with unrelated corporations, for the lease of office and other premises in Canada, Mexico and Peru. The Company's share of rent commitments for the remaining term of the contracts is approximately $230,041over the years from 2013 to 2016.

15. Subsequent events

Subsequent to March 31, 2012, the Company completed the requirements to exercise the Second Option to acquire a 70% undivided interest in El Oro (Note 5) and reported to Goldcorp Mexico the fulfillment of these requirements. Goldcorp Mexico has a period of 90 days from May 1, 2012 to advise Candente Gold of its decisions regarding the following options:

• In the Historic Mining Area (as defined in the option agreement): Goldcorp Mexico has the right to: i) retain a 30% interest by participating in future expenditures; or ii) convert to a 6.5% NPI (Net Profit Interest); and

• In the Exploration Area: Goldcorp Mexico has the right to: i) retain a 30% interest by participating in future expenditures; ii) convert to a 6.5% NPI, or iii) earn-back a 40% interest (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.