



# CANDENTE GOLD CORP



## ANNUAL INFORMATION FORM

**For the fiscal year ended March 31, 2014 (unless otherwise noted)**

**Dated June 27, 2014**

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## PRELIMINARY NOTES

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

### DOCUMENTS INCORPORATED BY REFERENCE

Incorporated by reference into this AIF are the following documents:

- (a) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2014; AND
- (b) MANAGEMENT’S DISCUSSION AND ANALYSIS OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2014;

COPIES OF WHICH CAN BE OBTAINED ONLINE FROM SEDAR AT [WWW.SEDAR.COM](http://WWW.SEDAR.COM).

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

### DATE OF INFORMATION

All information in this AIF is as of March 31, 2014 unless otherwise indicated.

### FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

## CURRENCY AND EXCHANGE

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

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

CAD to USD	Year Ended March 31, 2014		
	2014	2013	2012
Rate at end of period	USD 0.9047	USD 0.9813	USD 1.009
Average rate for period	USD 0.9489	USD 0.99890	USD 1.007

On June 27, 2014, the nominal noon exchange rate as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollar was CAD 1.00 equals USD 0.94 and the nominal closing exchange rate as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was CAD 1.00 equals USD 0.94.

## METRIC EQUIVALENTS

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

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

## CORPORATE STRUCTURE

### NAME, ADDRESS AND INCORPORATION

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

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

The Company’s Common Shares were listed on the Toronto Stock Exchange (“**TSX**”) on January 4, 2010 and on the Bolsa de Valores de Lima (Lima Stock Exchange) (“**BVL**”) on August 23, 2010 under the symbol “CDG”. Due to the low turnover of the trade of the Company’s shares in the BVL, on April 16, 2014 the Company delisted from the BVL.

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

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

The Company’s head office and registered and records office is located at Suite 1650-400 Burrard Street, Vancouver, British Columbia, Canada V6C 3A6. The Company’s contact person is Joanne Constance Freeze, Chief Executive Officer, President, and Corporate Secretary. The Company maintains a website at [www.candentegold.com](http://www.candentegold.com).

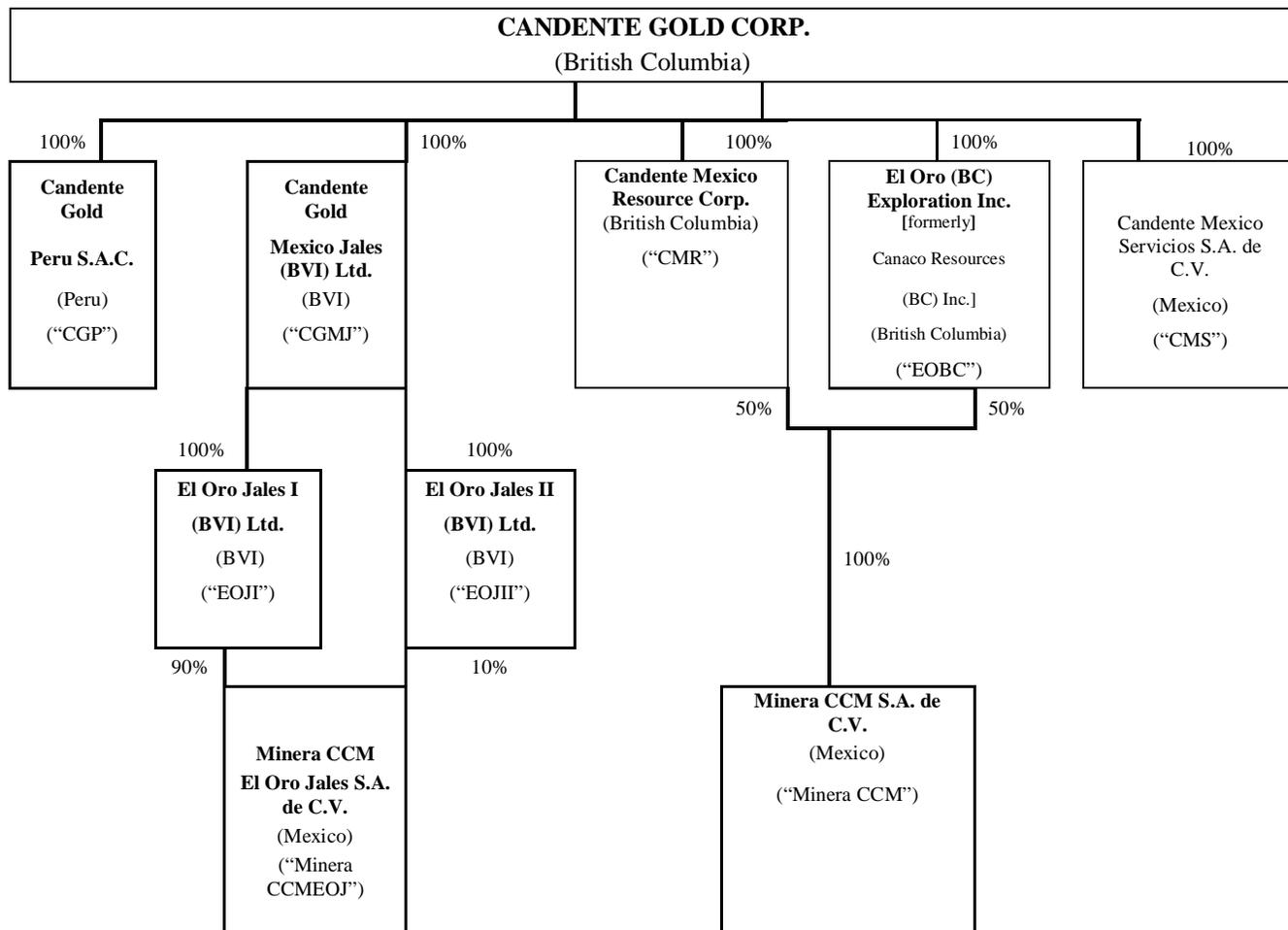
### INTERCORPORATE RELATIONSHIPS

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

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

- (6) El Oro Jales II (BVI) Ltd. (“**EOJII**”), incorporated under the BVI laws;
- (7) Minera CCM El Oro Jales S.A. de C.V. (“**Minera CCMEOJ**”), incorporated under the laws of Mexico;
- (8) Minera CCM S.A. de C.V. (“**Minera CCM**”), incorporated under the laws of Mexico; and
- (9) Candente Mexico Servicios S.A. de C.V. (Mexico) (“**CMS**”), incorporated under the laws of Mexico.

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



Note:

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

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

## GENERAL DEVELOPMENT OF THE BUSINESS

### GENERAL

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

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

The Company has recently acquired (June 12, 2013) the rights for access and processing Tailing deposits located in the town of El Oro de Hidalgo Mexico. The agreement allows the Company a one year period to carry out test work to ascertain recoveries and potential economic viability of a tailings reclamation and reprocessing operation, for contributions upon signing the Agreement and monthly contributions starting 30 days after signing the Agreement. The contributions will be used to fund Social projects. If Candente Gold decides to enter into the reprocessing and the reclamation phase (Phase II), then a Net Profits Interest ("NPI") of 8% will be paid to the municipality of Hidalgo during the period of operation.

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

### **THREE YEAR HISTORY**

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

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

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

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

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

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

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

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

On April 12, 2011, the Company closed a bought deal short form prospectus financing, including the overallotment option, underwritten by Stonecap Securities Inc., PI Financial Corp., and Wellington West Capital Markets Inc. originally announced on March 10, 2011. The Company issued 9,241,250 units at a price of CAD\$0.80 per unit and

51,250 warrants at a price of CAD\$0.60 per warrant for gross proceeds of CAD\$7,396,075. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at a price of CAD\$1.10 for a period of 24 months from the closing date.

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

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

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

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

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

### ***Financial Year Ended March 31, 2014***

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

On November 29, 2013 Michael Casselman was appointed as an independent director of the Company and Mr. Cameron Dong, C.A., was appointed as Chief Financial Officer ("CFO") of the Company. The Company also announced the resignation of Mr. Anthony Pitirri, C.A., as CFO of the Company.

On January 30<sup>th</sup>, 2013 the Company announced the passing of Mr. Michael Casselman, an independent director of the Company.

During the quarter ending March 31, 2014, the Company completed a private placement (the "Private Placement") for gross proceeds of \$746,025 from the sale of shares. Pursuant to the Private Placement, the Company issued a total of 14,920,500 common shares at a price of \$0.05 per shares. The Company paid finder's fees of \$33,450 with respect to the Private Placement along the issuance of 629,000 finder's warrants exercisable at \$0.07 until December 23<sup>rd</sup>, 2015. Joanne C. Freeze, President and CEO of Candente Gold and Sean Waller, Vice President of Candente Gold, subscribed for 2,000,000 and 400,000 common shares respectively.

### ***Subsequent Events***

On April 15<sup>th</sup>, 2014 the Company announced that JDS Energy and Mining Inc. ("JDS") had completed a high level conceptual study for a Tailings Recovery Operation near to Candente Gold's El Oro site in Mexico. The Company's strategy is to look for opportunities to develop cash flow in the near term with relatively low capital costs. Study

results indicate that the Mexican mine tailings from El Oro have the potential to meet this criteria and justify further study on the economic potential of a tailings recovery operation.

On May 12, 2014, Paul H. Barry was appointed as an independent director of the Company.

## **SIGNIFICANT ACQUISITIONS**

Since, April 1, 2013, being the commencement of the Company's last completed fiscal year, the Company has not entered into any significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102").

## **DESCRIPTION OF THE BUSINESS**

### **GENERAL**

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

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

On December 19<sup>th</sup>, 2013, the Company filed a technical report on the El Oro Property titled "National Instrument 43-101 F1 Amended Technical Report on the El Oro Property, Mexico", which is compliant with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The Technical Report is dated effective November 30<sup>th</sup>, 2013 and was prepared by Nadia M. Caira, P. Geo., a "Qualified Person" as defined in NI-43-101. For a complete description of assumptions, qualifications and procedures associated with the information in the Technical Report, reference should be made to the full text of the Technical Report, which is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

### **SPECIALIZED SKILL AND KNOWLEDGE**

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning, geophysics, metallurgy and mineral processing, implementation of exploration programs, and accounting. To date the Company has found that it can locate and retain such employees and consultants and believes it will continue to be able to do so.

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

### **COMPETITIVE CONDITIONS**

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

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

## **BUSINESS CYCLES**

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

## **ECONOMIC DEPENDENCE**

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

## **EMPLOYEES**

As of March 31, 2014, the Company and its subsidiaries had one employee in Canada who works directly for the Company, three employees in Canada who are shared with and employed directly by Candente Copper and one shared employee in Peru employed by Minera Candente Peru S.A., a subsidiary of Candente Copper. Candente Copper and Minera Candente S.A. billed the Company and its subsidiaries for the appropriate time provided by these shared employees. The Company and its subsidiaries had five contractors in Canada and one contractor in Peru. In Mexico, the Company's subsidiary Minera CCM had four employees and one contractor. The operations of the Company are managed by its directors and officers. The Company relies to a large degree upon reputable consulting firms and contractors to carry on many of its activities and, in particular, to supervise and carry out the work programs on its mineral properties. However, should the Company expand its activities, it is likely that it will choose to hire additional employees.

## **BANKRUPTCY AND SIMILAR PROCEEDINGS**

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

## **REORGANIZATIONS**

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

## **ENVIRONMENTAL PROTECTION**

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

## RISK FACTORS

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

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

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

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

*Recent market events and conditions:* During the period of 2012 – 2014 the price of gold and base metals experienced significant declines. The profitability of many mining companies declined significantly and many mining companies were carrying high debt levels due to significant capital investments over the preceding years. As a result global investors retreated from the mining sector and mining company share prices declined significantly. Furthermore investors demanded that mining companies reduce their debt levels and refrain from new capital investments and/or project development. These events virtually eliminated the availability of investment capital, especially to small capital and exploration mining companies which caused many exploration companies, including Candente to significantly reduce activities and expenditures. To date in 2014, the availability of funding for the minerals sector has seen modest improvement, nevertheless conditions remain challenging and it may continue to be difficult for the Company to obtain, the necessary risk capital to fund its exploration projects. The Company's access to this additional capital may not be available on terms acceptable to it or at all.

*General Economic Conditions:* Many industries, including the gold and base metal mining industry, are impacted by global market conditions. Some of the key impacts of the current financial market conditions include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business

conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. Specifically:

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

*Share Price Volatility:* Since in 2012 the share prices of most junior mining and exploration companies have experienced declines in value and there has been a significant decline in the number of buyers willing to purchase such securities. **As a consequence, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.** Therefore, there can be no assurance that significant fluctuations in the trading price of the Common Shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

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

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

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

*Title Matters:* The acquisition of title to mineral properties in Mexico and Peru is a lengthy process. Title to, and the area of, mineral concessions may be disputed. While the Company has diligently investigated title to all mineral

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

*No Assurance of Profitability:* The Company has no history of production or earnings and due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. All of the Company's properties are in the exploration stage and the Company has not defined or delineated any proven or probable reserves on any of its properties. None of the Company's properties are currently under development. Continued exploration of its existing properties and the future development of any properties found to be economically feasible, will require significant funds. The only source of funds currently available to the Company is through the sale of its equity securities or the sale or optioning of a portion of its interest in its mineral properties, or by incurring debt. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. The Company has a deficit of US\$19.3M to March 31, 2014. Deficit means the amount of accumulated losses incurred by the Company since inception to March 31, 2014, and does not represent amounts due by the Company. The Company does not know if it will ever generate material revenue from mining operations or if it will ever achieve self-sustaining commercial mining operations. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

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

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

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

*Social Climate in Mexico and Peru:* Social acceptance to operate during the various stages of a mining project is an integral part of operating such that lack thereof provides a very real risk during the exploration, exploitation, and

closure stages of mine development. In addition, the fact that the means and tools to manage social acceptance are not an exact science adds to the level of risk.

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

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

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

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

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

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

*Environmental Restrictions:* The activities of the Company are subject to international standards and environmental regulations promulgated by government agencies in Peru and Mexico from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water,

management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

*Regulatory Requirements:* The activities of the Company are subject to extensive regulations governing various matters, including environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development of mines, production and post-closure reclamation, exports, price controls, taxation, regulations concerning business dealings with indigenous peoples, labour standards on occupational health and safety, including mine safety, and historic and cultural preservation. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties, enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate those suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's properties.

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

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

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

influence mineral resource or mineral reserve estimates. Market price fluctuations for gold, silver or base metals, increased production costs or reduced recovery rates or other factors may render any particular reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated reserves could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges.

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

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

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

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

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

#### **MINERAL EXPLORATION PROJECTS**

Following is a description of the Company's mineral properties in Mexico and Peru and its interest in such properties. Currently, the Company considers El Oro Property in Mexico as its material exploration project. As of May 31, 2014, a total of US\$10,757,183 has been spent by the Company, Candente Copper and Canaco, in exploration on the El Oro Project.

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

The following information is summarized from the Technical Report dated November 30<sup>th</sup>, 2013 entitled "National Instrument 43-101F1 Technical Report on Candente Gold Corp.'s El Oro Property, Mexico" prepared by Nadia M. Caira, P.Geo., and filed on SEDAR at [www.sedar.com](http://www.sedar.com) on December 19<sup>th</sup>, 2013.

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

The El Oro Property ("The Property") is located approximately 110 km west-northwest of Mexico City in the states of Mexico and Michoacán. The Property consists of 27 claim blocks totalling 17,959.557 hectares (179.595 km<sup>2</sup>).

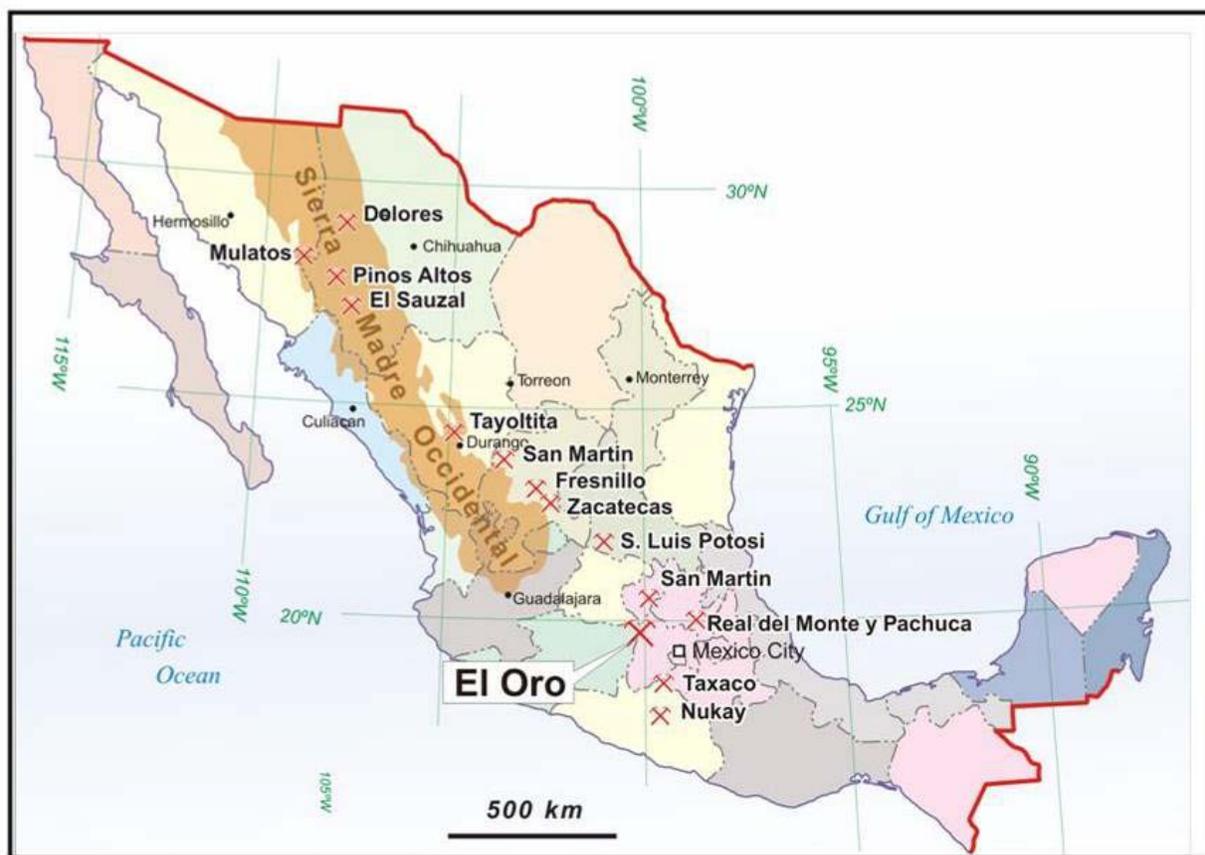


Figure 1: El Oro Property Location Map

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

On April 14, 2009 Candente Copper and Canaco agreed to transfer their respective interest in the El Oro Property to the Company.

As consideration for the transfer of the El Oro Interests, the Company issued 5 million Common Shares and a promissory note, payable in cash or convertible into Common Shares of the Company, to each of Candente Copper and Canaco. Each promissory note had a principal amount of \$1.3 million. The Company also had to ensure that a cumulative \$5.0M was spent since 2006 in exploration and issue 1,000,000 shares to Goldcorp Mexico by November 30, 2011.

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

To earn the remaining 20% interest, the Company had to expend an additional \$5,000,000 in exploration and issue an additional 1,000,000 shares to Goldcorp Mexico before November 30, 2013.

On July 27, 2012, GoldCorp Mexico confirmed that the Company had met all of its obligations for the exercise of the second option (pursuant to the Company’s letter dated May 1, 2012) under the Letter Agreement dated May 5, 2006 as amended pursuant to the agreement dated February 2, 2009 and September 30, 2009. By way of this letter

GoldCorp Mexico also elected not to proceed with the Back-In Option on part of the property, but elected to maintain their 30% undivided right, title and working interest in the entire property.

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

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

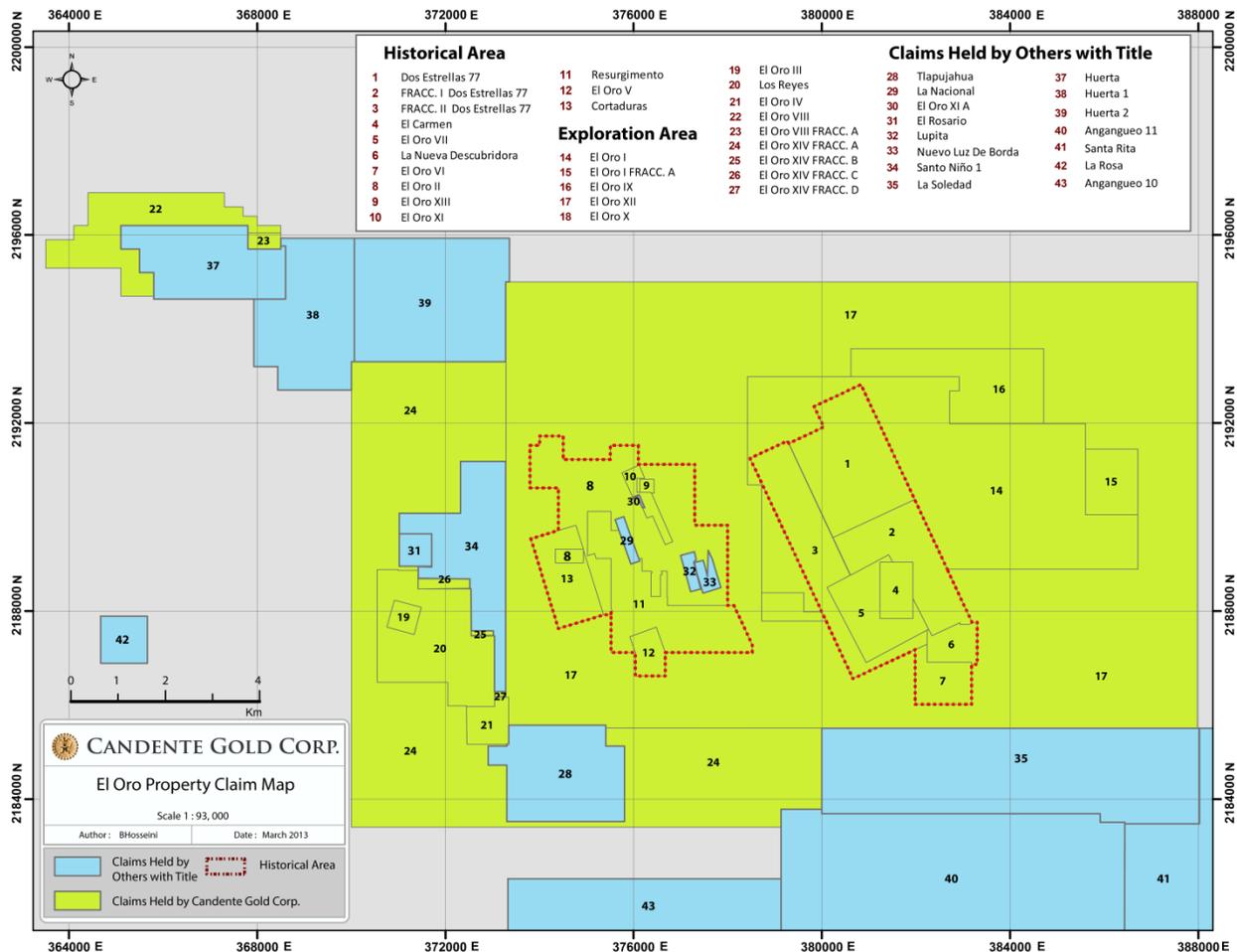


Figure 2: Distribution of Claim Holdings (source: <http://www.cartografia.economia.gob.mx/cartografia/>)

## ROYALTIES AND OTHER PAYMENTS

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

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

## ***ENVIRONMENTAL LIABILITIES***

Neither the authors of the Technical Report nor the Company knows of any environmental liabilities related to the El Oro Property.

Due to Candente Gold Corp.'s proposed Mexico Mine Tailings drill program in 2014 there was a requirement to file a separate environmental assessment report pre-drilling and obtain an additional permit to drill the Mexico Mine Tailings with minimal disturbance, under the current law (NORMA-120-SEMARNAT). In May of 2014, Candente Gold contracted Lic. Alejandro Nieto for the completion of Preventative Environmental Impact Study (Drilling Permit).

The report summarized the potential drill hole location, investment costs of the program, description of the forest, wildlife, weather, water sources, proximity to population centers, land use and the municipality planning regulations. The rationale for the development study was based on new regulations imposed on NOM-120-SEMARNAT-2011. The technical aspects of the review included: geology of the area, duration of the program, drill hole location, affected surface, drill rig description, road access, additive types and sampling methodology. In addition, a study matrix was designed to track the degree of environmental impact in the affected area of the proposed tailings drilling. Finally a detailed action plan was designed for the prevention and mitigation of potential environmental impacts. Candente received the report on May 2, 2014 and it was presented to SEMARNAT on May 6, 2014 in Mexico City.

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

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

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

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

The El Oro Property is located within the El Oro and Tlalpujahua mining districts. The most productive part of the two districts occupies an east-northeast structural corridor that measures 6.5 km from east to west and 4.0 km from north to south. The districts collectively host 57 known veins with at least 20 precious metal veins with past production. The majority of the more recent historic gold and silver production came from two principal veins: the San Rafael Vein (located in the State of Mexico) and the Verde Vein (located in the State of Michoacán). Company personnel have located many historic shafts and adits in the field, many of which are inaccessible at this time. A significant number of the underground mine records from 100's of kilometres of workings including detailed grade level plans were data captured and digitized during the 2013 exploration year. Details of this work can be found in the November 30, 2013 NI43-101 Report by Caira.

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

Several tailings deposits from past production can be found in several locations on the El Oro Property. Under a June 12<sup>th</sup>, 2013 Candente Gold Corp's Mexican subsidiary Minera CCM, S.A. de C.V. signed agreement with the Municipality of El Oro de Hidalgo, Mexico the Company acquired the access and re-processing rights to the tailing deposits. The agreement provides Candente with the rights to reclaim and reprocess between 800,000 to 900,000 tons of historical silver-dominant gold tailings from the Mexico Mine in the town of El Oro. From 1950 to 1990's the mine tailings had 3 verification drill programs in 3 separate (1950, 1980 and 1990) drill campaigns with metallurgical test work by previous owners. The historic estimated average grade of the tailings is between 2.73 to 2.95 g/t gold and 75 to 89 g/t silver. Metallurgical test work has produced gold and silver recoveries ranging from 20 to +75 percent. Test work suggests that grinding of the tailings may lead to an increased recovery of gold and silver. The tailings is silver-dominant with a gold credit.

*The above estimation on the San Rafael vein target is conceptual in nature and should not be relied upon as insufficient drilling has been done to define the target under an inferred mineral resource using CIM resource category with adequate geological confidence (CIM, Nov 2010). According to the CIM Definition Standards November 2010 "An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity". Further verification drilling, to better define mineralized vein zone outlines, a recalculation of the specific gravity and further metallurgical test work is required to identify, with more certainty, the quantity and grade of the San Rafael vein target. A systematic verification drilling and sampling program should be such that continuity can be predicted with confidence and contained metals may be better known with a reasonable level of reliability. A mineral resource can be estimated for material where the geological characteristics and the continuity are known or reasonably assumed and where there is the potential for production at a profit. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves, and the Company is not treating the historical estimate as current mineral resources or mineral reserves.*

The Company is presently working on an updated NI43-101 report to include a current Inferred Mineral Resource Estimate on the Mexico Mine tailings.

## **PERMITTING**

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

The exploration work being conducted at the El Oro Property, including drilling from surface and drilling from existing underground workings falls under the protocols of Norma-120-SEMARNAT-2011 ("Norma-120") regulations.

The Company is currently in compliance with Norma-120 MEX. In 2011, a new requirement added to Norma 120-MEX is the "Preventive Environmental Impact Study" for direct exploration activities including underground, trenching, and drilling. A requirement for the proposed exploration work at the Mexico Mine Tailings to include drilling for an Indicated Resource Estimate required a new environmental permit as required by Norma-120 MEX-SEMARNAT-2011.

On May 6<sup>th</sup>, 2014 environmental consultant Lic. Alejandro Nieto met with SEMARNAT to discuss the Preventative Environmental Impact Study dated May 2, 2014 on the proposed drill program of the Mexico Mine Tailings at El Oro. On June 20, 2014 the Preventive Environmental Impact Study and the Environmental Government Office (SEMARNAT) awarded Candente Gold Corp. permit number Operative Job No. DFMARNAT/2443/2014 to drill the tailings deposit stating that the authority approves the drilling of the Mexico Mine Tailings Deposit. The permit states that at this stage of exploration the following actions must be enforced : a) no change in land use; b) no vegetation removal; c) no explosive use; d) no new road construction; e) protection of forests; f) no hunting or trapping; g) no abandonment of equipment and sole use of substances related to drill activity .The length of the permit is for 6 months and will expire on December 20, 2014. The permit requires full compliance with current environmental standards and requires mitigation and environmental restoration defined in the Environmental Impact Study dated May 2, 2014. The permit requires that the authorities are notified at the start and end of the drill

program and submittal of the report by Candente Gold Corp. that defines compliance with Terms and Conditions set out in the access permit.

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

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

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

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

### ***SURFACE RIGHTS***

Surface rights within the El Oro mineral concessions are held by private owners and communities (Ejidos). For the 2010 to present 2014 exploration programs, the Company obtained permission from the individual property owners as well as representatives of Ejidos to access and conduct exploration activity on their land. Compensation for road construction and drilling was also agreed upon.

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

### ***AGREEMENTS***

On June 12<sup>th</sup>, 2013, the Company signed an agreement with the municipality of El Oro de Hidalgo, Mexico (“the Agreement”) that provides the Company with exploration and processing rights to the tailings deposits (“the deposits”). The deposits are easily accessible, located immediately adjacent to existing road access as well as power and water services, and once reclaimed, would be available for the town’s future development. The first stage (Phase I) of the Agreement allows the Company a one year period to carry out the necessary test work to ascertain recoveries and the potential economic viability of a tailings reclamation and reprocessing operation, for contributions of US\$25,000 upon signing the Agreement and monthly contributions of US\$3,000 starting 30 days after signing the Agreement. The contributions will be used to fund social projects. If Candente Gold decides to enter into the processing and the reclamation phase (Phase II) then an 8% Net Profits Interest (“NPI”) will be paid to the municipality during the period of operation. If during any months of processing there is no NPI due, then a monthly contribution of US\$3,000 will be made (*Candente Gold Corp, NR025 dated June 13<sup>th</sup>, 2013*).

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

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

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

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

There are two main seasonal climate changes in the region. During the winter months from November to January, the climate is cooler with occasional snow accumulation. The rainy season is typically from July to August. Access to water can be limited and is easier to secure during the rainy season, however the main creeks can provide a year-round water supply. The best time for field exploration activities is during the dry season which lasts from November to May.

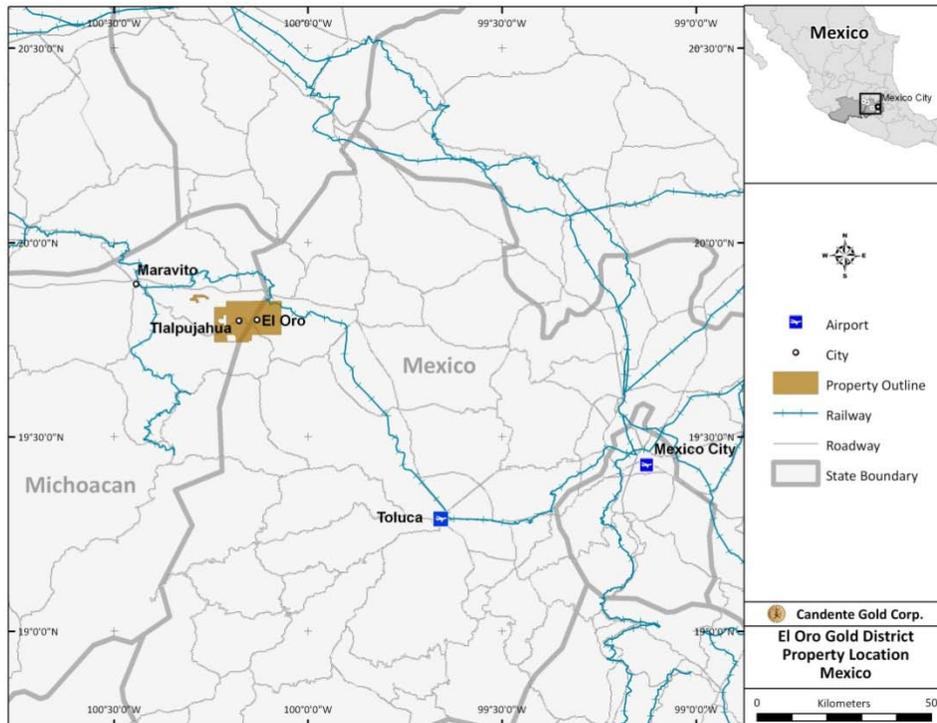


Figure 3: Location and Access to the El Oro and Tlalpujahua Mining Districts

## **HISTORY**

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

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

*The El Oro Mining District* had not been discovered until the end of the 18<sup>th</sup> century. It was not until 1900 that the district attained greatness. The area remained undiscovered for decades due to an extensive post mineral volcanic cap that covers the blind gold-silver veins. An isolated structural window, in the furthest eastern end of the district

near the Descubridora mine, exposes the underlying gold and silver vein mineralization in Cretaceous shales on surface beneath the eroded andesite cap. The Descubridora vein was the first to be discovered in the area. Unlike the Tlalpujahua ore to the west, the El Oro ore was of medium grade, relatively deep, chiefly of gold and poorly adapted to the Patio Process. The Patio Process was developed in 1557 for the extraction of silver from ore with poor gold recoveries resulting in the bulk of the predominantly gold El Oro ore being deemed unprofitable due to poor recoveries. The district includes 18 of the 57 known veins on the property including the most productive San Rafael and Verde Veins.

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

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

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

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

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

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

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

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

1802: First discovery of ore in a rich and narrow vein in the eastern part of the district near the present location of the Descubridora vein where a structural window exposed mineralized vein material on surface. The Descubridora vein and related veins yielded several millions of dollars' worth of bonanza grade silver-rich gold ore.

1810-1821: The War of Independence.

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

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

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

1850's: The cyanide treatment of pan-amalgamation tailings was undertaken and three to four years later the treatment was applied to the known mineral sands.

1883: A railroad reached a point a few miles away from the town of El Oro and modernization of the town began.

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

1900: El Oro Mining & Railway Co. Limited put the mill into regular operation. The success of cyanidation became assured and pan-amalgamation was abandoned.

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

1825-1913: Tlalpujahua district remained dormant.

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Historic Production**

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

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

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

Cia Minera “Las Dos Estrellas” S.A.’s operations were confined to Veta Verde (also called the Dos Estrellas vein), the second most mineralized structure in the El Oro district (Figure 4).



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<b>Cooperativa Minera Las Dos Estrellas (source: Mines Handbook 1920-1927)</b>					
July 1958 through to November 1959 (extracted from San Rafael)					
<b>Year</b>	<b>Prod'n month (metric tonnes)</b>	<b>Au oz</b>	<b>Ag oz</b>	<b>Au (gram/tonne)</b>	<b>Ag (gram/tonne)</b>
Jul-58	3,307	5.9	45.1	19511.3	149145.7
Aug-58	3,278	5.8	52.7	19012.4	172750.6
Sep-58	2,588	4.7	39.5	12163.6	102226.0
Oct-58	2,577	5.5	60.2	14173.5	155135.4
Nov-58	2,595	4.5	45.1	11677.5	117034.5
Dec-58	3,296	4.5	51.9	14832.0	171062.4
Jan-59	3,104	5.3	48.6	16451.2	150854.4
Feb-59	2,508	4.9	48.9	12289.2	122641.2
Mar-59	2,173	5.7	61.0	12386.1	132553.0
Apr-59	2,762	5.6	54.4	15467.2	150252.8
May-59	2,626	5.3	54.3	13917.8	142591.8
Jun-59	2,718	5.1	46.4	13,861.8	126115.2
Jul-59	3,238	4.3	71.1	13923.4	230221.8
Aug-59	3,240	4.0	55.4	12960.0	179496.0
Sep-59	2,713	3.8	71.1	10309.4	192894.3
Oct-59	3,436	3.7	50.5	12713.2	173518.0
Nov-59	2,707	4.4	62.6	11910.8	169458.2
<b>TOTAL</b>	<b>48,866</b>	<b>4.4</b>	<b>62.6</b>	<b>237,560.4 at 4.86 gram/tonne Au</b>	<b>2,637,951.3 at 53.98 gram/tonne Ag</b>

Table 7: Extraction/Production Summary (Albinson)

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

## ***HISTORIC RESOURCE ESTIMATES***

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

In 1992, Luismin S.A. de C.V. and Minera Mexico Michoacán S.A. de C.V. (“MMM”) conducted a review of the potential tonnes and potential grade on a conceptual exploration target along a 1.0 km segment of the 3.3 km long San Rafael vein covering the El Oro Mining & Railway Mine (Section 6.4). The review concluded that the potential exists for 6.00 to 6.89 million tonnes grading from 3.00 to 3.44 grams per tonne gold and from 40.00 to 44.00 grams per tonne silver (Zamorano, 1992). The detailed results of this study can be found in Section 6.4 of this report. This exploration target assessment was developed during a program of extensive mine rehabilitation of the Tiro Providencia (“Providencia shaft”) of the San Juan adit from the zero foot level to the 650 foot (198.12 metres) level below surface. In addition, the Tiro Skip (“Skip Shaft”) was rehabilitated to depths of between 300-450 feet (100-150 metres). This assessment was part of an in-house company review and is non-NI 43-101 compliant with the standards and guidelines set out through the NI 43-101.

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

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

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

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

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

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

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

- Year 1907: Mexico mine was owned by the Mexican Venture Company and started production on the San Rafael vein with the completion of the 100-stamp cyanide mill.
- Year 1920: The American Mining Co. built a 120-stamp cyanide mill.
- Years 1925 to 1937: In 1925, all of the mines and properties, including the Mexico Mine were acquired by the Las Dos Estrellas Company. Higher grade backfill, pillars and intermediate veins were mined at this time. A new crushing and processing plant was built to process this ore. Most of the Mexico Mine tailings were produced between the years 1921-1925.
- Year 1951: La Cooperativa Las Dos Estrellas conducted a detailed Mexico Mine Tailings sampling program of 184 drill holes totaling 2,162.7 metres and defined 91,874 oz gold and 2,505,651 oz silver; and completed metallurgical test work
- Year 1959: La Cooperativa Las Dos Estrellas conducted a series of detailed tailings treatment test work with the varying results for gold and silver recoveries: 49-81% gold and 22-41 % for silver (Table 6.4)
- Year 1977: The mineral rights over the El Oro veins including Mexico Mine on San Rafael opened and a private company, Minera Mexico Michoacán (MMM) acquired the exploration rights over a 2700 hectare area to the El Oro property.
- Year 1980-1981: Luismin acquired a majority interest in the El Oro property from MMM and drilled 18 verification holes and conducted metallurgical test work on the tailings simultaneously at two differing labs including the metallurgical lab in Tucson, Arizona and at the Taylolita mine site lab. The results from the two labs produced variable metal recoveries.
- Year 1982: Heap leach test characteristics of the tailings material were completed on behalf of Luismin.
- Year 1989-1990: Luismin conducted a further 22 verification drill holes equally spaced over the tailings deposits with metallurgical test work at the Metallurgical Institute of San Luis Potosi.
- Year 2011: CCM Minera (Candente Gold) collected a series of soil samples from the Mexico mine tailings to test for deleterious element geochemistry (e.g. mercury); and started a detailed compilation of the historic work completed tailings deposit.

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

Table 8: Cooperativa Minera de Las Dos Estrellas 1951 Tailings Sample Program Results

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

### **Historic Mexico Mine Tailings Mineral Processing and Metallurgical Test Work**

Many different metallurgical facilities have completed comprehensive test work studies on the Mexico Mine tailings between 1951 and 1990 in an attempt to identify the most effective tailings treatments to achieve the highest overall metal recoveries at the lowest costs. The best method for the highest recoveries was by “agitation cyanidation” and “cyanidation” using the smaller mesh sizes. The best treatment was by direct cyanidation on a minus 325 mesh size with reported recoveries of up to 75% for gold and 82.41% for silver. The follow up test work should include cyaniding on bottle tests and cyaniding on column tests using detailed classifications of plus +100 mesh screen sizes and doing the experimentation with the minus -100 mesh screen sizes.

The 1989 tailings review process included detailed mineralogy characterization of the tailing material. The study found that Frierbergite (Cu, Ag, Fe) Sb<sub>2</sub>S<sub>3</sub>) totalled 51.87 % of the sample and Aguilerrite ( Ag<sub>2</sub> S, Se) totalled 33.86% with the balance of argentite, native silver and native gold.

Table 9: Summary of the Historic Mexico Tailings Metallurgical Test Results (1951-1990)

Year	Company	Process	Regrind	Recovery		Recommendation	Comments
				% Au	% Ag		
1951	Mining Development Commission	Flotation	96% -325 mesh	70.0	71.0	Yes	Long float times and resultant coal dust
		Cyanidation After Calcination	No	70.0	20.0	Yes	Short periods of calcination (20 min) to 600 °C and elimination of carbonaceous material
1959	Mining Cooperative Two-Stars	Cyanidation After Calcination	No	75.0	22.0	Yes	No regrind and values similar to 1951 results
		Cyanidation After Calcination	-200 mesh	81.0	30.0	Yes	Grinding to -200 mesh with an increase recoveries
		Flotation	80 % to -325 mesh	27.0	48.0	No	Low recoveries in comparison with the 1951 test work
93 % to -325 mesh	49.0		41.0	No			
1982	CIA.Minera Real Asientos y Anexas S.A. For Minera Mexico Michoacan	Heap Leaching	No	20.0	41.33	No	10 days of leaching required
			Yes	20.0	53.33	No	8 days of leaching and grinding for 8 minutes
		Heap Leaching after Roasting	No	40.0	58.7	No	Roasting chloridizing to 700 °C for 30 minutes, 7 days of leaching, initial conditions
			No	50.0	66.66	No	Roasting chloridizing to 700 °C for 30 minutes, 7 days of leaching, varying initial conditions, (intermediate).
			No	50.0	70.67	No	Roasting chloridizing to 700 °C for 30 minutes, 7 days of leaching, varying intermediate terms, (final).
1989	Institute of Metallurgy of SLP	Flotation	No	13.5	13.6	No	Size of very fine material, carbonaceous material and surface partially oxidized
		Direct cyanidation	No	50	47.82	No	There are conglomerates of material, low recoveries.
		Direct cyanidation	-325 mesh	75	82.41	Yes	Greater expenditure of reagents (cyanide and Cal).
		Cyanidation After Roasting	No	75	55.44	Yes	Roasting at 800 °C for 20 minutes.

## **Historic Exploration Targets**

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

Refer to the NI 43-101 Technical Report dated November 30, 2013 by Nadia M. Caira, P.Geo. for a detailed review of the historic exploration targets in the El Oro and Tlalpujahua Mining District. ([www.sedar.com](http://www.sedar.com)).

The El Oro district blind veins were high grade gold-dominated ore covered by post mineral andesite ranging in thickness from 50 to 450 metres and poorly adapted to treatment by the patio process. The bulk of the ores were proven to be unprofitable until the cyanide treatment was adapted.

The 3.3 km long San Rafael Vein was mined in the early 1900's, by 3 main historic mining companies: Mina El Oro Mining and RCL ("El Oro Mine"), Mina Esperanza ("Esperanza Mine") and Mina Mexico ("Mexico Mine") and from the Verde lode in the Dos Estrellas mine.

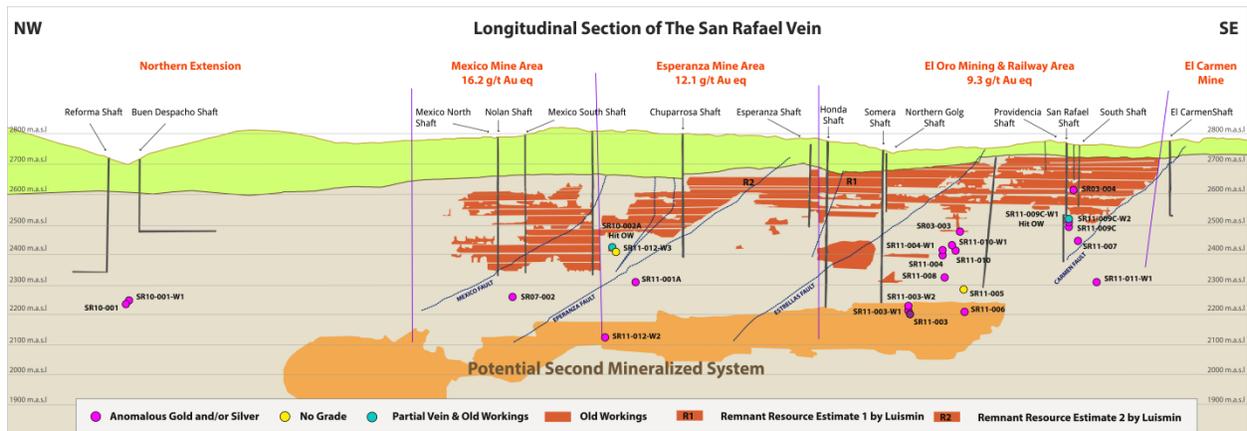


Figure 5: Schematic Long Section showing Distribution of the 3 mines along the San Rafael Vein

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

In this mine, the San Rafael vein dips steeply west and was uniquely oxidized to the bottom of the mine workings to an estimated depth of 300 metres. The vein varies in width from 10 to 40 m (30 to 125 feet); and has sulphidic gold-rich branches (the Sulphur Vein) that are narrow and steeply dipping that lie in the hanging wall (west wall) between 70 to 122 metres (230 to 400 feet) from the main San Rafael vein to the west.

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

In this mine the San Rafael vein was the widest and richest (Figure 9) with a vein/vein breccia thickness up to 70 metres with the best ore along the hanging wall and footwall of the vein. The mine had 17 one hundred foot spaced mine levels (except for Levels 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> that were 75 feet). The lowest level in the mine was Level 15 which reached a depth of 564 metres.

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

In this mine the northern strike extent of the San Rafael was exploited by the Mexico and Nolan Mines. The better grades started at Level 4 in the Mexico shaft producing average grades of 19 g/t Au and 240 g/t Ag. The vein width varied from 4 to 21 metres; trended N30W and dipped 60° to the SW; and was mined in the Nolan Mine to a depth of 513 metres. The vein was crosscut, in its hanging-wall by the 5.0 metre wide Poniente Vein that graded 80 g/t Au and 800 g/t Ag. The Mexico Mine, in general, was higher in silver than the mines to the south described above.

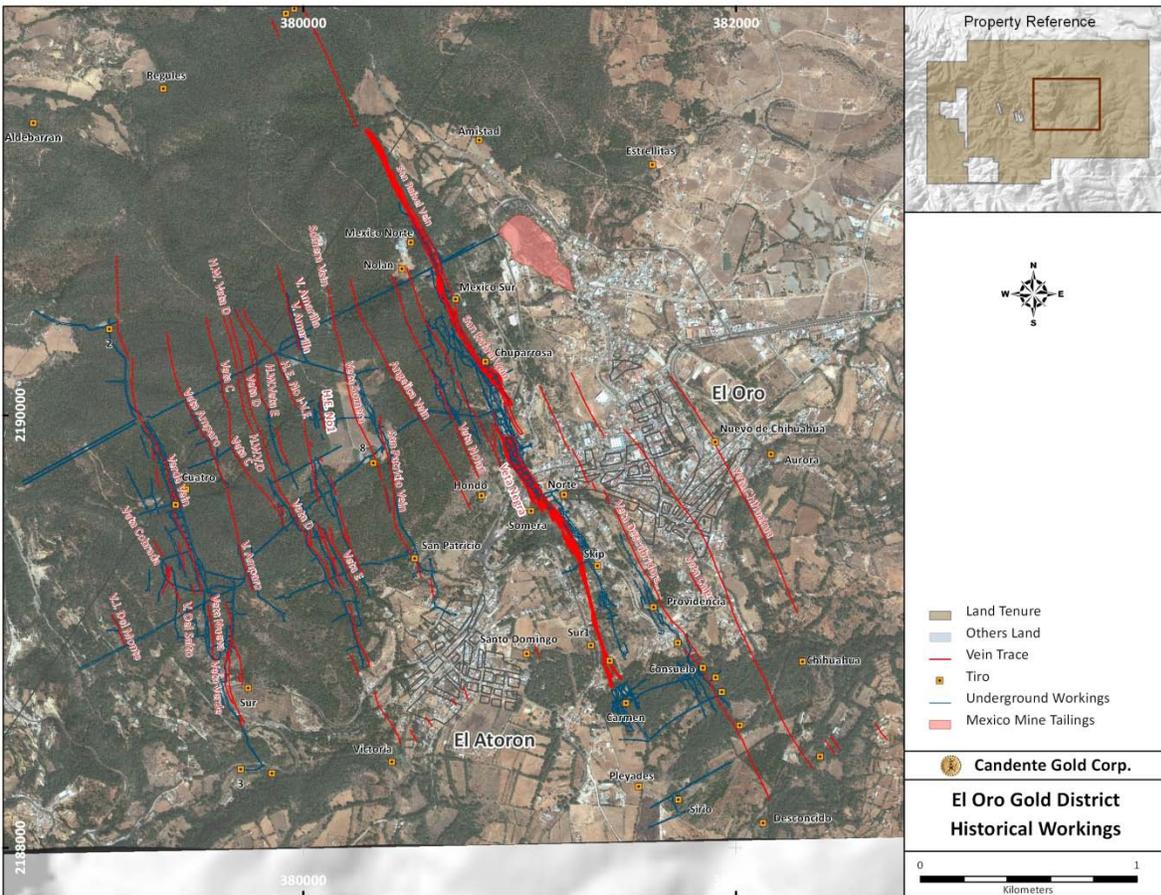


Figure 6: The El Oro District Vein Targets

*The Verde and the Nueva Veins* were discovered by Fournier in 1902 using the same concept as the discovery of the blind San Rafael vein by tunnelling in perpendicular to the NNW district vein trends along the 1.0 km long Dos Estrellas adit under the post mineral andesite cover. Fortunately, the adit cross cut the Verde vein at the richest part of the vein. Production occurred over a vertical depth of up to 460 metres and over a strike length of approximately 1.8 to 2.5 kilometres. Based on historical mine data, the vein produced in excess of three million gold equivalent ounces from 6.3 Mt of ore with an average production grade of 12 g/t gold and 160 g/t silver over an average thickness of 5-10 metres. The Verde vein continues to the north for a distance of at least 1700 metres from the Dos Estrellas adit access and remains a strong exploration target. The Verde and nearby vein trend varies from between N10W to N25W. The Verde, Blanca and related veins are bisected by a series of eighteen N70E cross faults that are interpreted to be pre-mineral and post-mineral in nature.

*The Blanca Vein* lies in the hanging-wall to the east of the Verde veins and was reported as between 5 and 75 metres in width and trends N10W in contact with a hornblende andesite sill on Level +160. The vein is white to canary yellow with calcite and graded between 16 to 18 g/t Au and 160 to 180 g/t Ag. The NW extension is truncated by a fault that trends N70E and dips 80° to the NW. On the level below Level +120 the Verde and Blanca vein are separated by 65 metres and the veins were exploited for a distance of 300 metres.

### Tlalpujahua District Exploration Targets

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

**The Borda Vein** is a silver rich Ag-Au epithermal vein target. Surface exposures and historic underground mining data indicate that the system extends at least 1.5 km along strike, and down-dip to at least 150.0 m. Historic exploited ore zones were narrow, ranging in width from 0.70 to 2.0m, with occasional blowouts up to 12.0 metres in width. Historical production data for the Borda vein is only general in nature, and grades were reported of 1-5 g/t Au and 100–760 g/t Ag for the Borda vein.

**The Coronas Vein** and related veins were originally worked via open pit methods along a strike length of nearly 1.6 km (1.0 mile) down to shallow drainage tunnels. Locally this vein was mined to an approximate depth of 200 metres with an average mining width of 1 to 2 metres. The Coronas vein, similar to the Borda vein, is silver-rich with gold credits. The ore at Coronas was of very high grade silver, exposed on surface and easy to mine and recover via the Patio Process.

**The Cortaduras Target** is a quartz-sulphide stockwork zone that measures 800 metre of strike length and a width of 200 metres. Previous trenching and drilling confirm the area as having good potential for gold and silver-bearing structures including 345 g/t silver and 3.7 g/t gold. In 1989 Luismin conducted a short 10 hole drill program (BDDC-001 to BDDC-010) totaling 1,926 metres and reported spotty gold and silver values (BDDC-001 returned 0.23 g/t gold + 200 g/t silver over 13.45). In 2007 Candente resampled the TRCO-001 to TRCO-007 trenches and Candente's surface gold and silver results were significantly higher than the Luismin results from their 1988 trench sampling program reporting wide intervals of gold and silver in several trenches including TRO-003 with 108 m of 1.5 g/t Au and 24.93 g/t Ag.

### **Historic Geophysics**

A variety of differing geophysical surveys have been completed over the El Oro-Tlalpujahu Mining Districts between 1996 and 2007. A detailed summary of the results of these surveys can be found in the November 30, 2013 updated NI 43-101 Technical Report by Cairn ([www.sedar.com](http://www.sedar.com)).

The 1996 Quantec Gradient IP Survey (Figure 11) was designed to read under the post mineral cover in the El Oro District over the San Rafael and related veins and defined resistivity and chargeability anomalies associated with lithologic contacts and NNW and NNE silicic fault-fracture zones.

In 2001, Placer Dome completed a UTEM and CSAMT survey over the Oriente Zone to define potential silicification zones over the area east of the main San Rafael vein. The UTEM gradient IP chargeability-resistivity survey was designed to define potential silicified zones within the San Rafael vein system. The CSAMT Survey was designed to cover the lithology and silicification over the area east of the main San Rafael Vein in the Oriente Zone. The results of the survey defined multiple, several broad “high resistivity” features in the Oriente Zone.

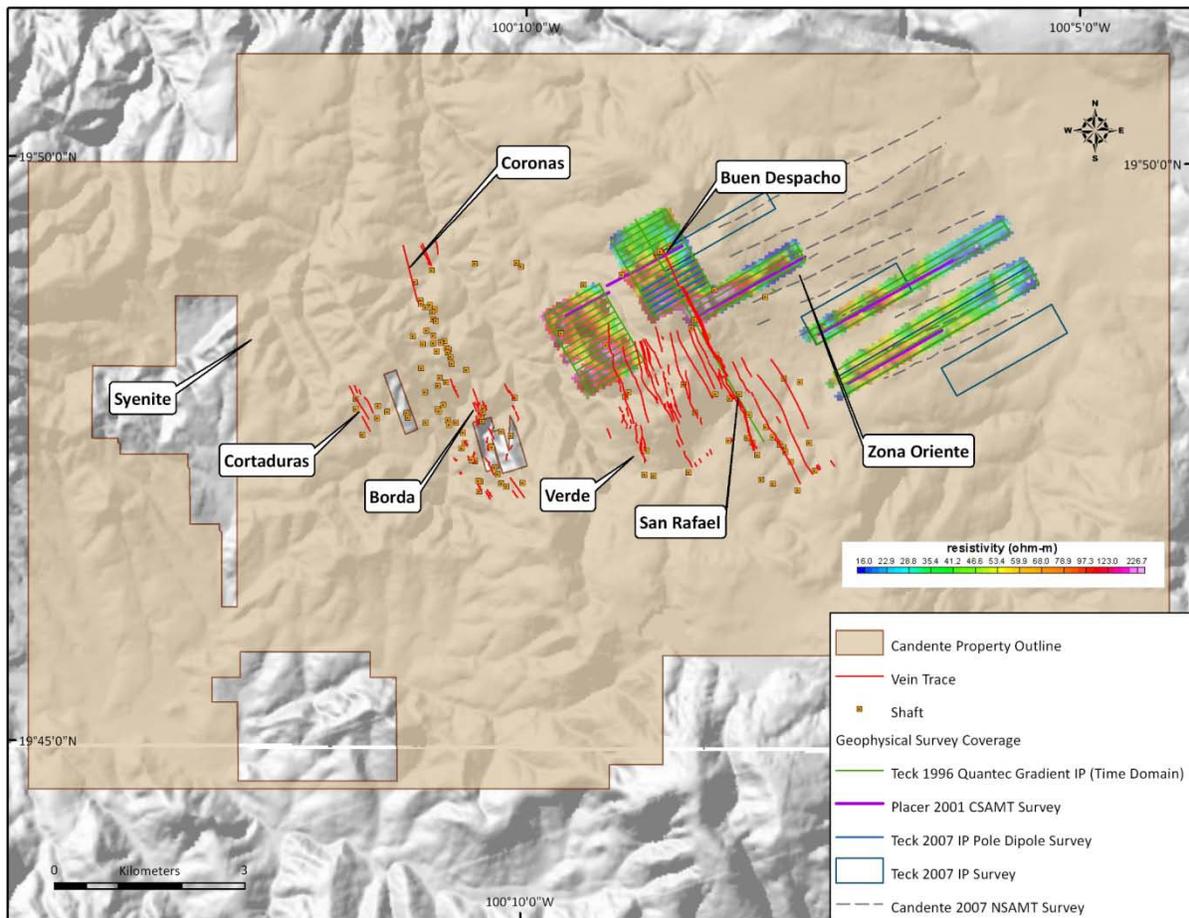


Figure 7: Distribution of the Teck 1996 Gradient Resistivity (Time Domain) Survey

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

In February 2007, Zonge Engineering and Research Organization (“Zonge”), completed a 36 line-km NSAMT survey over the Oriente area (Figure 16), east of San Rafael to define potential favourable mineralization under the post mineral andesite cap. The survey defined resistivity anomalies consistent with subvolcanic andesite intrusions suggesting a natural thickening of the volcanics to the east as well as narrow fault-induced silica breccia zones. Several drill holes were drilled by Candente after the 2007 NSAMT survey with poor results.

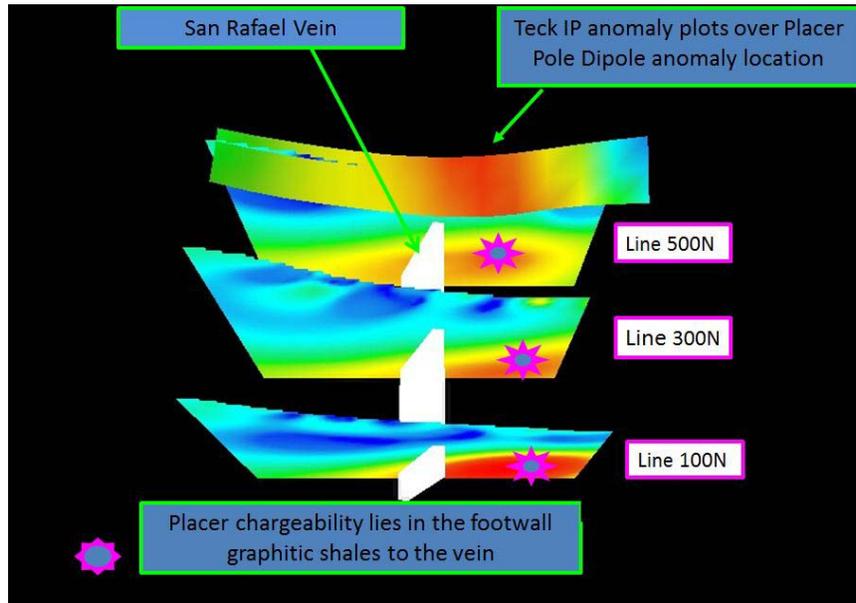


Figure 8: Placer 2001 Pole-Dipole IP north-looking Showing Chargeability Anomalism relative to San Rafael

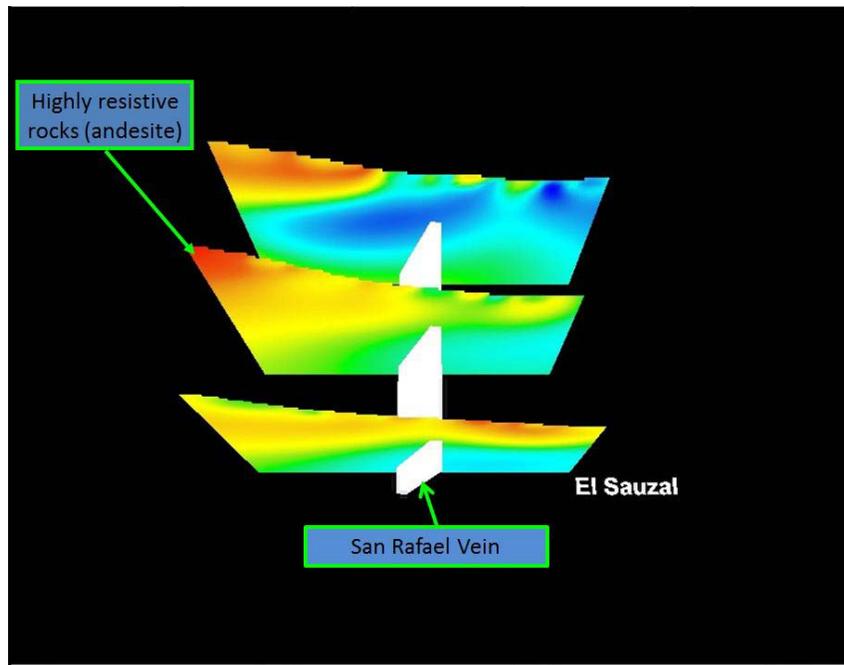


Figure 9: Placer 2001 Pole-Dipole IP north-looking showing Resistivity Anomalism at San Rafael

## ***GEOLOGICAL SETTING AND MINERALIZATION***

The El Oro property is located in the east-west Trans-Mexican volcanic belt in the central part of Mexico. The belt consists of Tertiary-Quaternary andesitic with less common dacite and rhyolite flows and tuffs with underlain by Cretaceous-Jurassic metasediment and metavolcanic rocks. The Cretaceous meta-sediments are represented by black meta-siltstones, meta-sandstones, and phyllites. Meta-volcanics are primarily andesite tuffs and less common flows.

The mineralized corridor is dominated by easterly trending Tertiary anticlines that parallel the structural grain established in the Cretaceous anticlines and complimentary troughs. The older Pre-Tertiary metasedimentary and metavolcanic rocks host the productive gold and silver-bearing quartz-adularia-sericite-(carbonate) veins. The mineralized veins outcrop in variably exposed structural windows through folding and faulting spatially related to the easterly Tertiary anticlines. Andesite porphyry, quartz eye rhyolite porphyry and aplite sills and dykes are well developed throughout the district and are spatially and potentially genetically related to known mineralization in the area.

The blind and gold-rich El Oro mineralization lies beneath an extensive blanket of younger Tertiary post-mineral volcanic cover. This younger cover in-turn is underlain by variably mineralized rhyodacitic ignimbrite blanket that infill's a north-trending fault graben. At San Rafael, Verde and other nearby veins, the ignimbrite hosts unconformity-related gold and silver mineralization lying in the apical or up-dip extensions of some of the veins. The veins in the eastern El Oro district host the San Rafael and Verde veins amongst + 16 other mineralized veins that dip steeply to the west-southwest. Ore consists of quartz-calcite-pyrite-sphalerite-argentiferous sulphides and gold. The gold is generally in very fine invisible particles. The historic ore grades  $\frac{1}{4}$  to  $\frac{3}{4}$  ounce gold and 2 to 3 ounces silver per ton. There is no evidence of transportation of gold by secondary enrichment. The lodes are displaced by many cross faults, some of which displaces the andesite capping.

The exposed and silver-rich Tlalpujahua mineralization in the west is devoid of the post mineral volcanic cover with the mineralized veins and associated stockwork exposed on surface in earlier sediments and volcanics as well as pre-mineral andesite porphyry dykes and sills. The deposits of Tlalpujahua, Michoacán, locally 3 miles (4.0 km) to the west of El Oro, are similar but the andesite capping is lacking over most of the area and silver is prominent in the ore. These veins, unlike the veins in the east dip steeply to the east suggesting by some that a graben exists about 4 miles across (Figure 11).

### ***Mineralization***

The El Oro and Tlalpujahua mining districts are known for gold and silver mineralization hosted in low sulphidation, epithermal quartz-adularia-calcite veins. The best precious metal mineralization in the district is associated with massive saccharoidal, crystalline quartz and calcite. Bladed textures (quartz after calcite) and drusy quartz filled vugs are common, as well as banded colloform textures. Individual vein orientations, geometries, mineralogy, gold-silver ratios and grade vary vein to vein.

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

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

The El Oro district is unique for its historic size (and approximate production of 18 M oz Au EQ) with a Ag : Au ratio of up to 8:1 with grades of 11 to 12 g/t Au and a persistent strike length in excess of 3.3 km. Despite its historic significance, very little modern exploration techniques and geologic research has been done in the area, and surface exploration drilling totals 41,639 metres. Most exploration was done from surface prospecting and underground drifting totalling 100's of kilometres. Very little regional and prospect scale geological mapping has been done in the district.

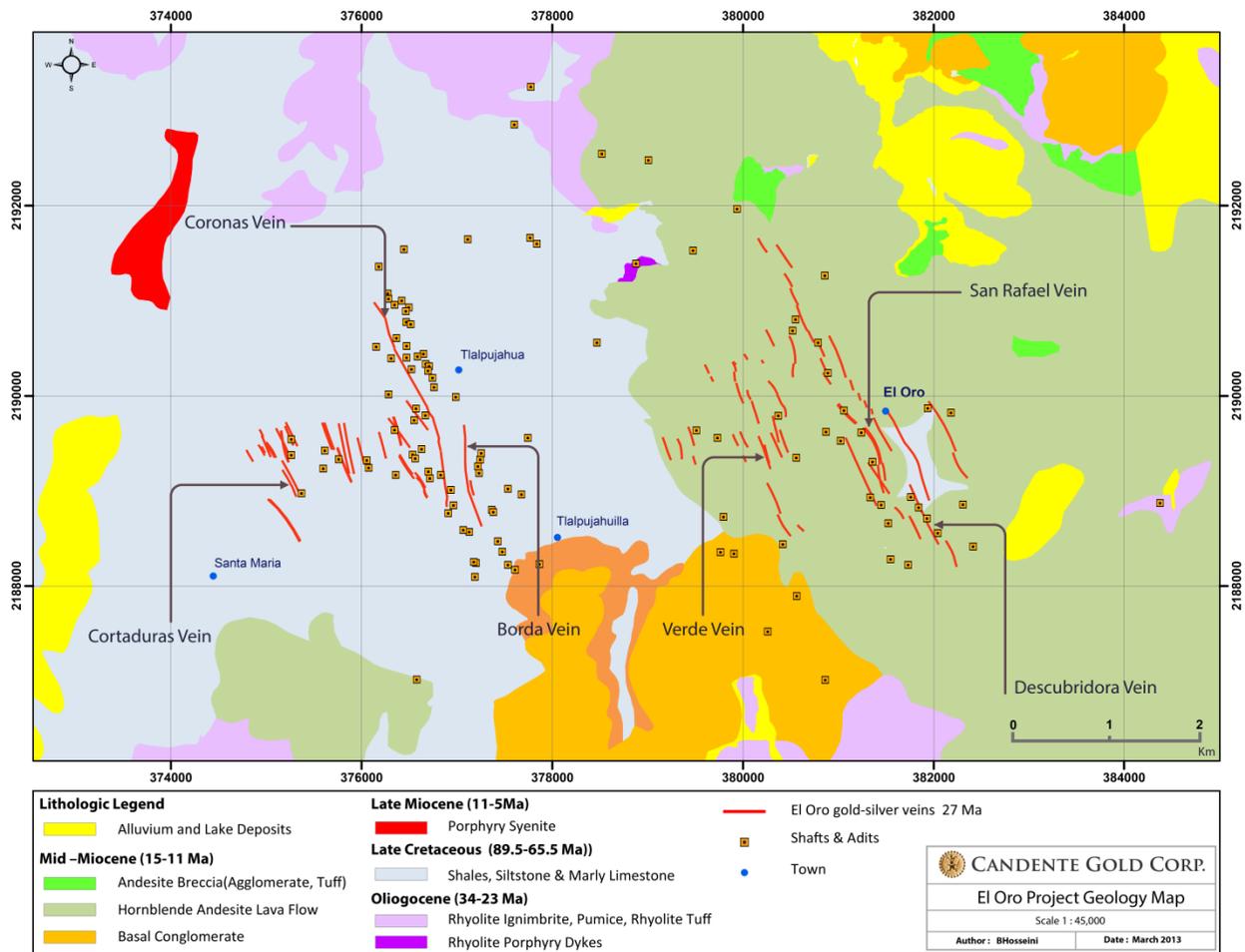


Figure 10: District Scale Geology of the El Oro-Tlalpujahua Mining Districts

The San Rafael Vein-El Oro Mine has vein sulphide mineralogy of pyrite, chalcopyrite, marcasite and sphalerite. The ore consists of native gold that occurs microscopically along the cleavage planes of pyrite. The silver is in the form of argentite, pyrargyrite, proustite and stephanite. The ore in the oxidation zone consists mainly of native gold and native silver, rarely accompanied by argentite as well as secondary minerals including limonite, hematite and manganese oxide. The San Rafael vein is reported to be traceable along strike from Tiro Mexico on the north to Tiro Sirio to the south; and has been stoped on the upper levels for about 2.5 km along strike. The vein zone is typically 20-30 metres in width and locally reaches up to 70 metres on the upper levels in quartz breccia zones. At depth the vein narrows considerably and ore values decrease.

## ***EXPLORATION BY CANDENTE GOLD (from most recent)***

### **Exploration Year 2013 to 2014**

In 2013, Candente Gold acquired the right to process historic tailings left from pre-1930s milling of ores from the Mexico Mine in the El Oro District in Mexico State, Mexico. The tailings have had extensive historic assessments including drill testing and metallurgical test work demonstrating that it is a valid exploration target with the potential for 800,000 to 839,000 tonnes grading from 2.80 to 2.95 grams per tonne gold (potential for 79,000 to 90,000 oz of gold) and from 75.00 to 89.00 grams per tonne silver (potential for 2,000,000 to 2,600,000 oz of silver). The tailings deposit lies within the town of El Oro and covers an area of approximately 5.6 hectares that once reclaimed, will be available for the town's future development. The tailings are adjacent to existing road access, power and water services. Three other tailings deposits also exist within the Municipality of El Oro and are included in the Agreement but require further testing and evaluations prior to making a decision to reprocess and reclaim.

*The above potential tonnage and grade estimation of the Mexico mine tailings exploration target is historical in nature and Candente Gold needs to conduct further work to verify these historic results. This estimation is being used for conceptual purposes only and should not be relied upon as insufficient recent sampling has been carried out to define an Inferred Mineral Resource using Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") resource categories (CIM, Nov 2010). The homogenous nature of tailings, at least in a lateral sense, suggests that a sample population of the tailings could be systematically verified by a grid based auger and trench sampling program such that grade continuity could be predicted with confidence and contained metals may be better verified with a reasonable level of reliability. A qualified person has not yet done sufficient work to classify the historical estimate as a current Inferred Mineral Resource, and the Company is not treating the historical estimate as current mineral resources.*

### **2014 Mexico Mine Tailings High Level Scoping Study by JDS**

On April 15, 2014, Candente Gold Corp. (TSX:CDG) ("Candente Gold" or "the Company") reported that JDS Energy and Mining Inc. ("JDS") had completed a high level conceptual study for a Tailings Recovery Operation ("TRO") at the Mexico Mine Tailings at Candente Gold's El Oro site in Mexico. The Company's strategy is to look for opportunities to develop cash flow in the near term with relatively low capital costs. Study results indicate that the Mexican mine tailings from El Oro have the potential to meet this criteria and justify further study on the economic potential of a TRO.

In keeping with both environmental and social responsibility policies of Candente Gold, the TRO would see the Company provide the El Oro municipality with a remediation program, which would include relocation of the tailings from the current site, within the town, to a nearby Greenfield process facility in an unpopulated and under-utilized area. Once treated the tailings would be contained by an engineered structure designed to international standards. This would both remediate current potential environmental risks and rehabilitate the current land for new municipal use.

As part of the conceptual study, JDS evaluated a variety of metallurgical processes, which have been historically tested by various parties for gold and silver extraction from the tailings. Considering only industry standard metallurgical processes typically utilized by other operations, the historical metallurgical test work on El Oro tailings indicates that minimum overall recoveries of 50% may be expected, however test work also indicates potential for higher recoveries of 60% to 70%.

Based on current knowledge, the treatment process that JDS recommends would incorporate a single stage polishing grind of the tailings to increase fresh particle surface area prior to extraction of gold and silver in a conventional agitated leach circuit. Gold and silver would be recovered in a Merrill-Crowe plant followed by on site refining to produce Dore bars.

## **2014 Mexico Mine Tailings Sampling Program Towards an Inferred Resource Estimate**

In May of 2014, given the positive results from this conceptual study by JDS, the Company proceeded to the next stage of the Mexico Mine tailings assessment with a hand-auger and channel sampling program to precede drilling of the tailings deposit. The objective of the initial auger/trench sampling program was for verification of historical gold and silver grades, which may then be used to develop an Inferred Resource Estimate. The subsequent drilling program will provide additional verification of the grade continuity at depth and provide additional samples for metallurgical test work. The metallurgical test work program will determine optimal recoveries; confirm the process details and reagent consumption levels.

Results from the drilling combined with the next stage of study by JDS is expected to lead to an increased level of confidence via an Indicated Resource Estimate in the modeling of the economic potential of the El Oro tailings deposit. Environmental Impact Assessment ("EIA") study was completed on May 2, 2014 and the drill permit from SEMARNAT was received on June 20, 2014 and is active for a period of 6 months.

### **2014 Auger and Channel Sampling Program**

The Mexico Mine Tailings Deposit had not been sampled for a period of 23 years since the 1990's. A basic verification sampling program of approximately 30% of known historic results from the 1990, 22 hole program was completed to provide geoscientific evidence in the form of new assays from vertical auger holes at some of the known 1990 drill hole sites, as well as vertical channel samples of existing trenches, pits and erosional cuts along the ceiling and toe of the tailings pile.

The objective of this program was to provide enough data verification for an *Inferred Resource Estimate* for the Mexico Mine Tailings based on verification of a representative portion of the 1990 drill data.

The depth capacity of the soil auger was between 12 to 16 feet. The tailings pile varies in thickness from 0.90 to as deep as 27.85 m as defined during the 1990 drill program. This program could not test the full depth extent of the tailings pile. Historic 1990 drilling approximated that 40% of the 22 holes drilled in 1990 defined the tailings thickness of less than 10 metres. Historical trenches, test pits as well as vertical cuts that locally reach to the bottom of the tailings were also sampled, some for a vertical distance upwards of 10.0m vertical from the tailings toe. A total of 103, 1.0 meter long samples were collected from the tailings pile. A total of 20 QA/QC sample duplicates, blanks and standards were also analyzed.

This new information provided verification of assays from an approximate 30% sample population across a representative distribution of the 1990 historic drill program. The current assays were compared with nearby roughly comparable 1990-10 foot assays as recorded in original assay certificates. The 2014 and 1990 program assay intervals were not exactly the same.

This program could not provide complete assay continuity that could not be predicted with absolute confidence due to a lack of continuous data and grade and tonnes could not be known with a reasonable level of reliability, expected criteria for a Inferred Resource Estimate. The sampling program provided guidance and validation of the 1990 drill data for use in the 2014 Inferred Resource Estimate.

An updated NI43-101 Report on the El Oro Mexico Mine Tailings Inferred Resource Estimate will be available in early July 2014.

### *Sampling and Analysis*

A total of 30% or 100, 1.0 metre vertical channel or auger samples were collected from roughly comparable intervals from the 1990 (BNO-1 to BNO-22) 267.0 m drill program. Verification of comparable assay intervals of 30% of the historic data points satisfied the data verification requirement. The data verification was somewhat biased in that the auger holes tested the upper 3.0m of the tailings pile. The vertical channels however tested the lower 5.0 to 10.0 m of the tailings pile.

The auger hole collars were set up under the direct supervision of Nadia M. Caira, P.Geo. and Ing. Humberto Hernandez and were drilled with a 2 ¼ inch mud auger bit from AMS Inc., Idaho, USA. The hole collars were taken

from a 1990 drill hole plan map of Luismin Holes BNO-1 to BNO-9 hole collars were taken from the surveyed UTM coordinates on the drill logs. The auger hole collars for the last 13 holes numbered BNO-10 to 22 were captured in AutoCAD from the existing drill hole plan map. A detailed topographic and collar survey was completed after the completion of the auger/channel sampling program preparation for the detailed drill program for the Indicated Resource Estimate.

All auger and channel samples were subjected to quality control procedures that ensure best practice in the handling, sampling, analysis, and storage of the samples. All auger and channel holes were sampled continuously. Samples intervals were consistently 1.0m in length. The full 1.0m interval was placed in individually sealed plastic sample bags and submitted for assaying. The full sample reject is being stored at the ALS-Guadalajara.

Bags were securely sealed and brought by truck driven by a Candente Gold Corp. employee directly to ALS-Guadalajara. Down hole survey of the auger holes was not done given the 3.0m depth it was assumed that the holes were on- azimuth and on-dip from the hole collar.

The auger and trench samples were logged in the field. Characteristics such as: sample number; sample depth (m); sample weight; sample colour; % organics; % humidity; and comments. In general each 1.0m sample weighed between 7 to 9 pounds depending on recovery and humidity and minor contamination when pulling the auger out of the holes.

Specific Gravity determination (“S.G”) measurements from auger samples were carried out on 25 of the 101 samples collected. The S.G sample method used was ALS OA-GRA08b where a prepared 3.0 grams sample is weighed into an empty pycnometer. A prepared sample (3.0 g) is weighed into an empty pycnometer. The pycnometer is filled with a solvent (either methanol or acetone) and then weighed. From the weight of the sample and the weight of the solvent displaced by the sample, the specific gravity is calculated according to the equation below. Five samples were checked for accuracy. In addition 5 check samples were rerun in a check analysis. The sample weights ranged between 0.53 to 2.22 kg (averaging 1.45 kg). The specific gravity analysis was between 2.52 to 2.69 (averaging 2.63).

A Bulk Density Determination will be estimated using a dry weight during the Indicated Resource Estimate. A Bulk Density of 1.6 will be used for the July 2014 current Inferred Resource Estimate. Given the bulk density of water in 1.0, a bulk density of 1.6 is a reasonable number to be used in typical for similar quartz-vein hosted tailings piles.

Sample preparation was conducted at ALS-Labs in Guadalajara and the sample analysis and S.G. analysis of the auger and vertical channel samples was conducted at ALS-Vancouver. The samples were analyzed for gold using ALS-Au-AA23 method and for silver and 40 other trace elements by ALS-41 Element ME-MS41 Method (41 elements ICP)

QA/QC measures used at El Oro were employed at all stages of work in the field, in the core shed, the sample preparation facility, and in the analytical facility. Evaluation of QA/QC results was done systematically as soon as the results were available to ensure that only the best quality data was entered into the Mexico Mine Tailings database. Umpire, or external check assays were not carried out at this stage of the tailings assessment however they will be done during the Indicated Resource Drill Program. At all times, this work, whether in the field, the lab, or at the exploration office, was consistent with best practises currently in use in the mineral exploration industry.

There are no known factors related to the auger/channel and sampling program that would materially impact the accuracy and reliability of the results. Recoveries were high although minor issues in some of the auger holes resulted in larger sample weights due to sloughing off unsealed auger hole walls when retrieving the auger from the hole. One duplicate sample was potentially mixed up and will not be used.

#### *Security of Samples*

Nadia M. Caira, P. Geo., visited the Project during May 1 to 9<sup>th</sup>, 2014 during the auger and channel sampling program. She has worked continuously on the project since August 2012 and is familiar with Candente’s on site office, storage facilities that show a clean, well-organized professional working environment. The on-site staff General Manager Humberto Hernandez defined the chain of custody and methods used at each stage of the sample collection process. All processes are to North American, industry standards and no issues were identified.

## 2014 Assay Results

An average grade of 2.95 grams per tonne (“g/t”) gold and 60.70 g/t silver was obtained from the 101, 1.0m auger/vertical channel samples collected from the Mexico Mine Tailings pile at the El oro Project. The base of the tailings in the northwest average 3.49 g/t gold and 80.34 g/t silver. Approximately 8% of the samples collected average greater than 4.0 g/t gold and as high as 4.81 g/t gold and 8% average greater than 100 g/t silver as high as 188 g/t silver. All samples were collected over 1.0 metre sample lengths. A total of 22 holes were sampled by hand auger to a 3.0 metre depth. Vertical channel samples were collected predominantly from the base of the tailings toe upwards for 5 to 10 metres vertical. In addition, 21 % of the samples collected average greater than 3.5 g/t Au and 22% of the samples collected averaged greater than 80 g/t Ag.

Table 10: 2014 Results Tailings Sample Program

Sample Type	No.	Loc in Tailings Pile	Gold g/t	Silver g/t
Auger + Channel Samples	101	Evenly Distributed	2.95	60.70
All Auger Samples	47	Top to 3m depth	2.79	55.10
All Vertical Channel Samples	54	Mixed top and toe	3.08	65.57
2014-SEC 1W-CHAN (10m)	10	Lower toe in NW	3.49	80.34
2014-SEC 3E-CHAN (4m)	4	Lower to middle in NE	3.31	91.13
2014-SEC 7E-CHAN (5m)	5	Lower toe in E side	2.95	86.26

Note: all samples 1.0m in length

### Conclusion

A sufficient and representative amount of new data was collected from the available historic data locations from the tailings pile. The samples were collected from the surface and from the base or toe of the tailings pile to verify the historic data. The central part of the tailings pile was not been tested in this program. Quality control measures and data verification procedures were completed both at the lab and internally by the Candente.

The 2014 auger/channel sampling program assay results by Candente verified comparable, nearby historic 1990 drill assays. Individual assays vary slightly sample to sample due to non-comparable assay intervals. The 1990 drill program collected 3.0 m sample intervals and the 2014 Candente Gold auger/channel program collected 1.0m sample intervals.

The 2014 auger/channel sample assay results compared well with comparable intervals from the 1990 assay results from the drill program. The 2014 representative sampling program resulted in a reasonable assumption of the grade of the tailings pile as a whole but did not verify grade continuity. The next step is a current Inferred Mineral Resource Estimate for which the quantity and grade of quality can be estimated on the basis of this limited but representative sampling program and reasonably assume, but not verify, geological and grade continuity. The estimate will be based on limited information from this 2014 and the 1990 sampling programs.

A portion of the historic 1990 assay data reported previously has been verified by appropriate methods by Candente. Candente has confirmed the accuracy of the recorded information and the data seems consistent with current analytical and geological standards. Candente has collected the samples using Industry Standard sampling techniques; QA/QC quality of assays; and specific gravity determinations.

### Recommendations

As follow-up to the encouraging results from the auger/channel data verification sampling program Candente is proceeding as follows:

1. An Inferred Resource Estimate should be completed. This phase will be based on the new assay results from the auger/channel sampling program (as reported by Candente on June 25, 2014, NR 036) This resource will be reported in a scheduled NI 43-101 in early July 2014.
2. For increased confidence in the Inferred resource Estimate a drilling campaign should be carried out with suitable equipment (sonic drilling is recommended to recover unconsolidated material with variable moisture content) or a man-portable smaller rig (Sandvik 1000) would also be suitable and more economical. The drill spacing will be decided on after the Inferred Resource Estimate has been completed.
3. QA/QC Sampling should continue according to industry standard procedures for a minimum of one standard, blank or duplicate to be inserted in the sample stream every 20 samples and at least one each per drill hole. These QA/AQC standards are separate from those that the laboratory will process internally.
4. The next phase will fully test the tailing pile in approx. 25 drill holes using a Sandvik 1000 man-portable rig. In addition, certain metallurgical and engineering analyses will be completed as well as detailed mineralogical characterization of the Mexico Mine tailings pile

Field support, camp costs and travel as well as costs associated with community relations, land maintenance, legal fees associated administrative activities should be included in future budgets.

Based on encouraging results from the recent JDS Scoping Study coupled with the recent data verification sampling program at the Mexico Mine tailings and the transition to a current Inferred Resource Estimate in early July 2014, the Company is poised for potential future economic success.

#### **Exploration/Compilation Years 2012-2013**

Candente Gold is of the opinion that the El Oro project has met a major milestone in the ongoing compilation of the historical work by identifying controls for potential higher grade mineralization that remain untested. The objectives of the current work is to make new discoveries, expand the known mineralized zones on the San Rafael and Verde and the Tlalpujahua gold-silver vein systems.

**New Exploration Targets:** At least 31 new exploration targets have been identified in Candente Gold's El Oro property on the basis of satellite image structural interpretation and alteration processing based on major faults, intersections, branches and splays along major structures, releasing bends, proximity to intrusions, and ASTER/Landsat ETM+ derived alteration anomalies of known veins.

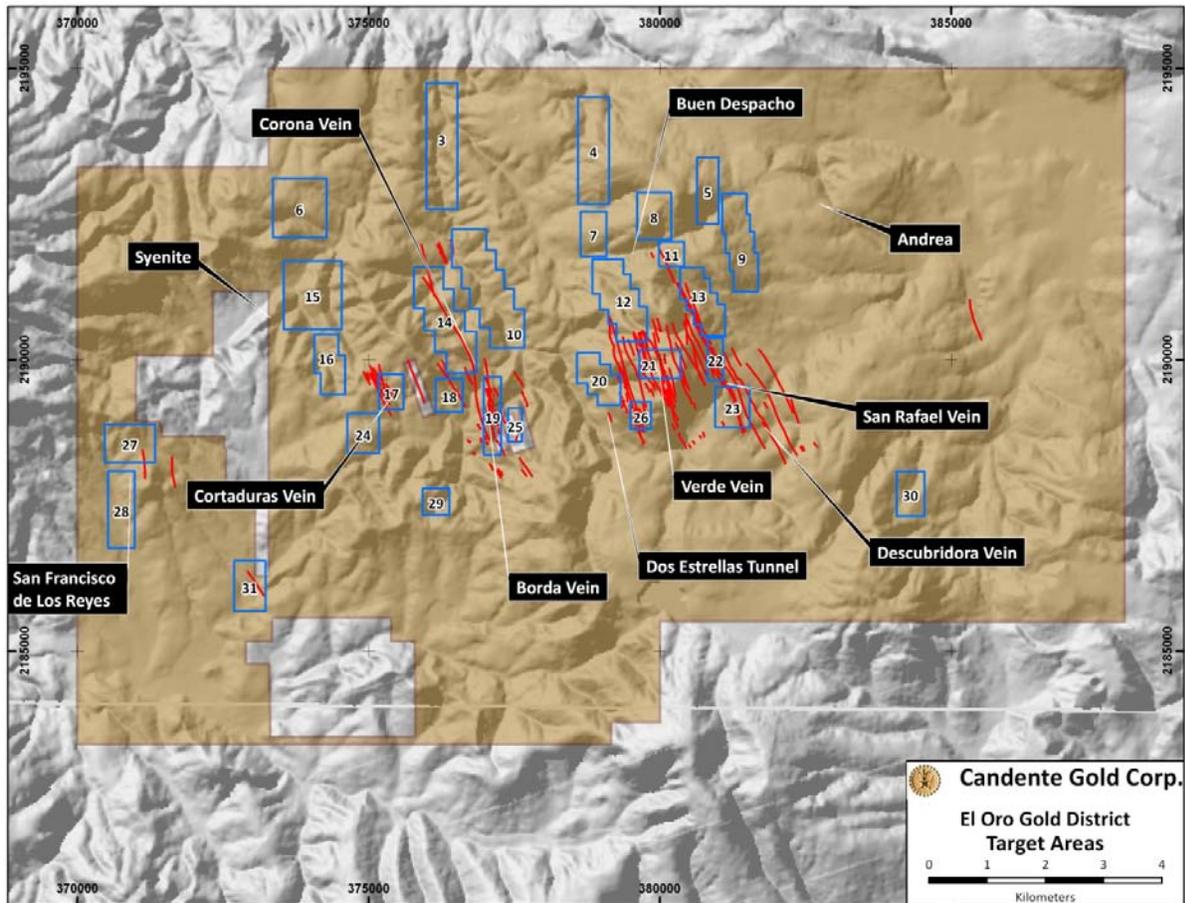


Figure 11: Vein and 31 new exploration targets within the El Oro Project

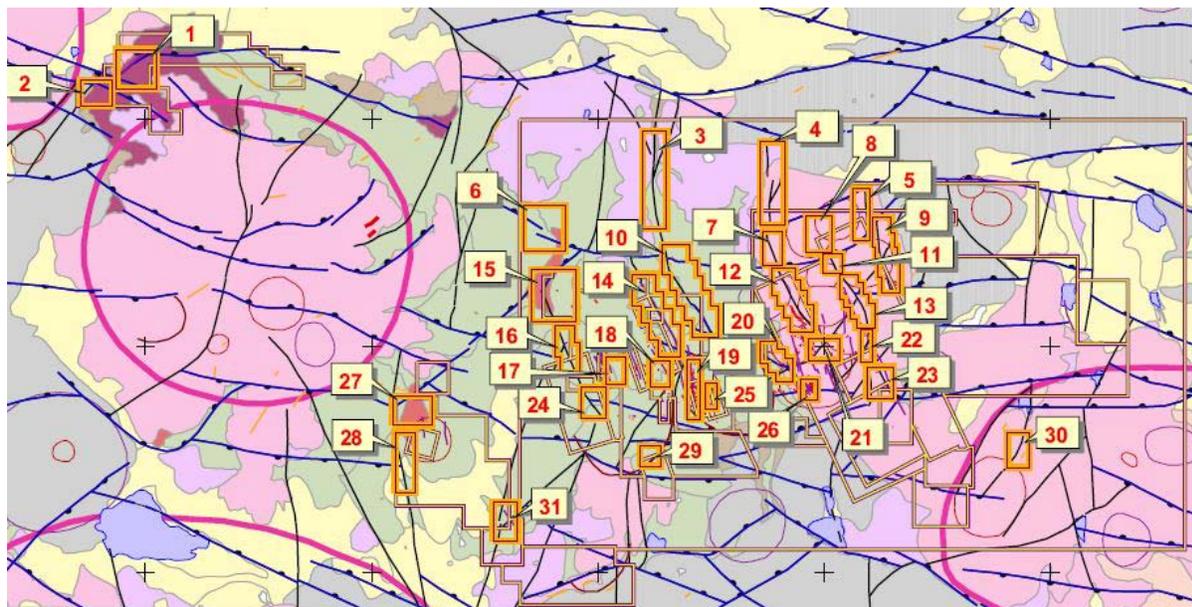


Figure 12: Compilation of ASTER/structural interpretation showing 31 targets

Table 11: Other Target Areas defined by ASTER/structural interpretation completed in 2013

Table 1		Exploration Targets for El Oro project area																	
Target No.	Alteration							Major faults						Proximal to intrusions	Proximal to domal/circular features	Proximal to veins and minzn	Priority		
	Adularia	Clay	Haematite	Illite-smect	Jarosite	Kaolinite	Sericite	Silica	N-S/NNW major faults	NNE-SSW major faults	WNW/E-W major faults	NE/ESE major faults	NW-SE major faults					Major fault intersection or splay	Major fault inflection
1	■	■		■		■	■			□		□		□		□		□	2
2	■	■	■	■		■	■		□		□			□		□		□	3
3	■	■	■	■	■	■	■	□	□					□	□				2
4	■	■						□	□					□	□		□		2
5	■	■	■	■		■	■	□				□					□		3
6	■	■	■	■	■	■	■			□						□			3
7		■			■		■	□									□	□	2
8	■	■				■	■										□		2
9	■	■	■	■	■	■	■	□	□	□	□			□	□		□		2
10	■	■	■	■	■	■	■	□	□	□	□			□	□		□		2
11								□				□		□	□		□	□	1
12						■	■	□									□	□	1
13	■				■		■	□	□	□				□	□		□	□	1
14		■	■	■	■	■	■	□		□				□	□		□	□	1
15	■	■	■	■	■	■	■	□		□				□		□	□	□	2
16		■	■	■	■	■	■	□	□	□				□					3
17	■	■	■	■	■	■	■											□	2
18		■			■	■	■		□									□	2
19		■				■	■											□	1
20										□	□	□	□	□	□		□	□	2
21	■					■	■		□								□	□	1
22				■		■	■	□	□					□	□		□	□	1
23			■	■	■	■	■	□	□	□				□	□		□	□	1
24	■	■	■	■	■	■	■	□		□				□	□				2
25																		□	3
26										□		□		□	□		□	□	2
27	■	■	■	■	■	■	■	□			□			□	□	□	□	□	1
28	■	■	■	■	■	■	■	□		□				□	□	□	□	□	2
29	■	■	■	■	■	■	■		□		□				□				3
30						■	■		□						□		□		3
31	■	■	■	■	■	■	■		□		□			□			□	□	2
	■	Low intensity anomaly																	
	■	Medium intensity anomaly																	
	■	High intensity anomaly																	

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

In June of 2013, Candente completed a Simple Gold and Silver 3D Grade Block Model on the 1.2 km long San Rafael-El Oro Mining & Railway segment of the 3.3 km long San Rafael vein zone to gain an understanding of mineralization controls that could be applied to the mining district as a whole. This model includes 40% of known historic underground workings (circa 1919-1925) and incorporated 914 historic two-metre sample control gold and silver level plans. The San Rafael vein segment was modeled from Tiro Hondo in the north to just north of Tiro El Carmen in the south; over a 555 feet (170 metres) vertical distance (at the San Rafael vein); and over a 590.5 foot (180 metres) vertical distance at the hanging-wall vein, Veta Negra.

The simple grade block model defined a rough estimate of 4,500,000 to 5,000,000 tonnes grading from 8.0 to 10.0 grams per tonne gold and from 60 to 65 grams per tonne silver that was historically mined during the period of 1920-1925 from the vein segment modeled. Further unofficial mining was done after 1925 to as recent as 1959. In addition, a geostatistical analysis of the digitized grade data was completed and search ellipses were calculated.

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

Based on excellent discoverability due to the voluminous historical data available, the proven historic production grades to date, known strike extents of demonstrated mineralized veins and the proven down-dip vein depths in excess of 500 metres below surface that excellent potential exists for further definition of favourable mineralization along strike and below known mineralized intercepts as well as further discovery of blind mineralized vein structures. Further exploration work is clearly warranted.

### **Exploration in Years 2011 to 2007**

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

In 2011, Candente Gold Corp. completed a 10,117.97 metre drill program in 28 core holes. Four zones along the San Rafael vein system were drill targeted from south to north including the: Providencia Shaft Zone; Norte Shaft Zone; Mexico Esperanza Zone; and the Buen Despacho Zone. A total of 18 of the 28 holes drilled (8 holes were lost in bad ground due to faulting) intersected anomalous gold and silver mineralization.

In 2010, Candente Gold Corp's exploration program included six core holes totaling 3,336 metres at Zona Oriente located east of the San Rafael Vein, as well as two holes into the San Rafael Vein with a focus on the Esperanza Mine and the northern Buen Despacho vein segments totaling 2,266.75 metres. In addition, the underground rehabilitation of the San Juan adit enabled drilling totaling 2,048.60 metres of the San Rafael footwall zone as well as easier drill access to the Calera and Descubridora vein structures. The 2010 underground and surface drilling and sampling program defined high grades of gold and silver in a portion of the remaining vein mineralization defined by Luismin.

A total of 520 metres of underground workings from the southern part of the San Rafael vein system were rehabilitated in 2010 by Candente. During this work program 160 rock samples from exposed vein side-wall and mineralized back-fill were sampled. The back-fill material returned an average grade of 4.72 grams per tonne gold and 53.49 grams per tonne silver (*Candente Gold Corp, NR010 dated February 9, 2011*).

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

### **CONCLUSIONS AND INTERPRETATION**

Ending the first quarter of 2014, Candente Gold completed the Mexico Mine Tailings auger/vertical channel sampling program to verify the data from the 1990-22 hole drill program. A current Inferred Resource Estimate is expected in early July 2014 and will be reported in an updated NI43-101 Technical Report.

Ending December 2013 Candente Gold completed an updated NI 43-101 Technical Report dated November 30, 2013 (Caira, 2013) that highlights the 2013 exploration compilation period. The report includes a three dimensional ("3D") assay grade interpretive model on the 1.0 km San Rafael vein segment modeled (San Rafael Esperanza and El Oro Mining & Railway vein segments) with potential remnant mineralization of between 5,000,000 to 6,000,000 metric tons grading between 8 to 11 g/t Au and 44 to 65 g/t Ag. The San Rafael vein segment is 3.3 km in length and has a depth extent of up to 600 metres.

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

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

Due to a newly defined easterly trending favored extensional mineralization control, sub-parallel to known Tertiary anticlines, transverse to the north-northwest strike of the vein systems, and down-to-the-north fault offsets further drill definition of the San Rafael vein system is required along the 3.3 kilometres strike length as well as several other high priority vein targets of the 57 known veins to date by targeting structural, lithological and hydrothermal controls of mineralization. Given the typical mining widths at the San Rafael vein ranging from 5.0 to 10.0 metres as well as unique transverse mining widths from 50 to 75 metres along easterly mineralized breccias, stockwork zones and disseminated gold horizons, drill hole orientation needs to be carefully considered. Targeting should include drilling initially below existing historical workings from underground drill stations, where possible, due to the difficulty of drilling deep targets from surface below the friable post mineral volcanics and the severely sheared host rock shales in areas of potential remnant mineralization.

*This project may or may not be materially affected by scrutiny into environmental, permitting, legal, title, taxation, social, political, marketing or other relevant issues in addition to a down-grading in quantity and grade with further drilling.*

## **PERUVIAN PROPERTIES**

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

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

### **LUNAHUANA**

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

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

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

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

## **TRES MARIAS**

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

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

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

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

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

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

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

## **DIVIDENDS**

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

## DESCRIPTION OF CAPITAL STRUCTURE

### GENERAL DESCRIPTION OF CAPITAL STRUCTURE

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

As of March 31, 2014, the end of the Company's most recent fiscal year, 77,140,260 Common Shares, 4,836,500 options to purchase Common Shares and 629,000 warrants to purchase Common Shares were issued and outstanding.

As of June 27, 2014, the date of this AIF, 77,140,260 Common Shares, 4,766,500 options to purchase Common Shares and 629,000 warrants to purchase Common Shares were issued and outstanding.

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

### CONSTRAINTS

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

### RATINGS

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

## MARKET FOR SECURITIES

### TRADING PRICE AND VOLUME

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

The following table reflects the monthly high and low trading prices, the month end closing price and the average daily volume for each month on the TSX for the Common Shares from April 1, 2013 to March 31, 2014:

Month	High (\$)	Low (\$)	Close (\$)	Average Daily Volume	Total Monthly Volume
April 2013	0.13	0.07	0.10	38,068	837,500
May 2013	0.12	0.06	0.08	51,959	1,143,100
June 2013	0.08	0.06	0.08	27,655	553,100
July 2013	0.10	0.06	0.07	71,536	1,573,800
August 2013	0.07	0.06	0.07	92,095	1,934,000

Month	High (\$)	Low (\$)	Close (\$)	Average Daily Volume	Total Monthly Volume
September 2013	0.07	0.07	0.07	38,557	809,700
October 2013	0.08	0.06	0.07	15,200	334,400
November 2013	0.08	0.06	0.07	41,952	881,000
December 2013	0.08	0.05	0.08	116,060	2,321,200
January 2014	0.10	0.07	0.08	37,650	828,300
February 2014	0.08	0.06	0.07	26,942	511,900
March 2014	0.07	0.06	0.07	13,872	291,300

The price of the Company's Common Shares on the TSX at the close of the business on March 31, 2014 was CAD\$0.07 per share and on June 27, 2014 was CAD\$0.035 per share.

### **PRIOR SALES**

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

On April 4, 2013, 150,000 stock options at CAD\$0.64 were cancelled due to cease of employment.

On September 16, 2013, a total of 200,000 stock options at CAD\$0.80 in respect to the Arrangement with the Company and Candente Copper expired unexercised.

On November 7, 2013, 50,000 stock options at CAD\$0.25 were cancelled due to cease of employment.

On December 23, 2013, 5,400,000 shares were issued at CAD\$0.05 in respect of a private placement.

On January 14, 2014, 250,000 stock options were granted at CAD\$0.25 to a director.

On January 22, 2014, 9,520,500 shares were issued at CAD\$0.05 in respect of a private placement.

On March 28, 2014, 250,000 stock options at CAD\$0.25 were cancelled due to cease of employment.

On April 24, 2014, 20,000 stock options at CAD\$0.51 were cancelled due to cease of employment.

On June 27, 2014, 50,000 stock options at CAD\$0.25 were cancelled due to cease of employment.

### **ESCROWED SECURITIES**

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

## DIRECTORS AND OFFICERS

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

Name, Position and Province/State and Country of Residence <sup>(1)</sup>	Principal Occupation During the Past Five Years	Period of Service as an Officer or Director	Approx. no. of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised <sup>(5)</sup>
<b>Joanne C. Freeze, P.Geo</b> CEO, President & Director British Columbia, Canada	Professional Geologist registered with the Association of Professional Engineers and Geoscientists of B.C.. Director, President and CEO of the Company since April 2009. Director & CEO of Candente Copper since July 1997. Director and CEO of Cobriza Metals Corp. since May 2011.	Director, CEO and President since April 2009	2,862,152 <sup>(6)</sup>
<b>Dr. Peter K.M. Megaw, CPG</b> <sup>(3)</sup> Independent Director Arizona, U.S.A.	Certified Professional Geologist by the American Institute of Professional Geologists and Arizona Registered Geologists. Independent Director of the Company since May 2009. Director of MAG silver since 2006. One of the founding principals and President of IMDEX Inc. since 1988.	Independent Director since May 2009	161,400 <sup>(7)</sup>
<b>Larry D. Kornze, P.Eng.</b> <sup>(2)(3)</sup> Independent Director Idaho, U.S.A.	Professional Engineer and Independent Director of the Company since May 2009.	Independent Director since May 2009	383,000
<b>Andres J. Milla, M.A. Ec.</b> <sup>(2)</sup> Independent Director Lima, Peru	Economist. Independent Director of the Company since February 2010. Also Director of Candente Copper since July 2009. An Associate with First Capital Partners, Peru since 2008. Was a member of the Board of the Lima Stock Exchange from 2006 until March 2008 and was General Manager of Credibolsa SAB, main broker agent of the Peruvian stock market from 2006 to August 2008.	Independent Director since February 2010	52,200
<b>Dr. Kenneth (Ken) G. Thomas, P.Eng., F.C.I.M.</b> <sup>(2)(3)</sup> Independent Director Ontario, Canada	Professional Engineer (P.Eng.), F.C.I.M & F.I.M.M.M. Recently he was Senior Vice President, Projects, Kinross Gold Corporation from Nov 2009 until July 2012. Prior to that he was Global Managing Director of Hatch for six years and also served as Senior Vice President, Technical Services of Barrick Gold Corporation where he was a company officer for 14 years.	Independent Director since December 2012	100,000

Name, Position and Province/State and Country of Residence <sup>(1)</sup>	Principal Occupation During the Past Five Years	Period of Service as an Officer or Director	Approx. no. of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised <sup>(5)</sup>
<b>Sean I. Waller, P.Eng.</b> Vice-President British Columbia, Canada	Professional Engineer registered with the Association of Professional Engineers and Geoscientists of B.C.. Vice President of the Company since May 2009. President of Candente Copper since July 2009. He was Vice-President Development for Candente Copper from August 2008 until July 2009. Was Vice President of AMEC from August 2004 to August 2008.	Vice-President since May 2009	468,500 <sup>(8)</sup>
<b>Paul H. Barry</b> Independent Director North Carolina, USA	Thirty years of operating experience in mining and energy in senior executive roles. Executive Vice President & Chief Financial Officer of Kinross Gold Corporation, 2011 and 2012. Senior Advisor, Mining & Metals, to Atlas Advisors, New York. Board of Directors of Forbes Royalty Corporation. Board of Advisors of Orgone Development L.L.C., a Ghana power project developer. SVP & CFO at Pepco Holdings, Inc.	Independent Director since May 2014	Nil
<b>G. Cameron Dong, CA</b> CFO British Columbia, Canada	Chartered Accountant. CFO of the Company since November 2013. From August 2009, Mr. Dong has been a partner at DeVisser Gray LLP. Prior to that, he was a senior manager at a local medium sized CA firm.	CFO since November 2013	Nil

Notes:

- (1) The information as to province or state and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.
- (2) Member of Audit Committee.
- (3) Member of the Compensation and Governance Committee.
- (4) The term of office of the directors will expire at the Company's next annual general meeting.
- (5) Securities beneficially owned by directors are based on information furnished to the Company by the directors and officers.
- (6) Of the 2,862,152 Common Shares, 117,600 are held directly by Ms. Freeze, 534,552 are held by the Freeze Family Holdings Ltd., a company that is beneficially owned by Ms. Freeze, and 2,210,000 are held by Ridley Rocks, a company beneficially owned by Ms. Freeze.
- (7) The 161,400 Common Shares are held by the Megaw Family Trust, in which Mr. Megaw is the trustee.
- (8) Of the 468,500 Common Shares, 68,500 are held directly by Mr. Waller and 400,000 are held by SW Project Management Ltd., a company that is beneficially owned by Mr. Waller.

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

As of June 27, 2014, the date of this AIF, the directors and officers of the Company, as a group, beneficially hold a total of 4,027,252 Common Shares, directly or indirectly, representing 5.22% of the issued and outstanding Common Shares (77,140,260).

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

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

- (a) Was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) Was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

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

- (a) Is, as at the date of this AIF, or during the ten years preceding the date of this AIF has been, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) Has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

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

- (c) Been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) Been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

## **CONFLICTS OF INTEREST**

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

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

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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

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

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

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

During the year ended March 31, 2014, a total of USD\$47,447 was paid as salaries to an officer of the Company which was included in general and administrative expenses. US\$15,716 was paid or accrued to private companies associated with officers and directors of the Company for management services rendered. These amounts are included in general and administrative expenses.

Included in accounts payable and accrued liabilities at March 31, 2014 is US\$1,000 owed by the Company to certain officers and directors of the Company for services rendered, reimbursement of expenses and directors' fees.

At March 31, 2014, a director and officer of the Company served as a director and officer of Candente Copper and two of the Company's officers served as officers of Candente Copper. During the year ended March 31, 2014, the Company and Candente Copper shared certain office and administrative expenses and Candente Copper made certain payments on behalf of the Company. As of March 31, 2014, a total of US\$569,593 was due from the Company to Candente Copper for reimbursement.

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

## **TRANSFER AGENTS AND REGISTRARS**

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

- (a) In British Columbia, 3rd floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9; and
- (b) In Ontario, 100 University Avenue, 11th floor, Toronto, Ontario M5J 2Y1.

## **MATERIAL CONTRACTS**

There are no material contracts that have been entered into by the Company other than in the ordinary course of the Company's business of mineral property evaluation, acquisition and divestiture and exploration, including raising funds therefor, entered into since April 1, 2013 (being the commencement of the Company's most recently completed financial year) that are still in effect, other than the El Oro Agreement and the Casua Agreement. For additional information with respect to the El Oro and the Casua Agreements see "General Development of the Business – Three Year History" above.

## INTEREST OF EXPERTS

### NAMES OF EXPERTS

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

- (a) Deloitte LLP ("Deloitte"), of Suite 2800-1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P4, are the independent auditors for the Company. Deloitte is independent from the company in accordance with the rules of professional conduct of the Institute of Chartered Accounts of British Columbia;
- (b) Nadia Caira, P.Geo, consultant of the Company, is a qualified person as defined in NI 43-101. When Ms. Caira was involved in preparing the technical report filed on SEDAR on June 29, 2012 and amended technical report filed on July 3, 2012, she held less than 1% of the common shares of the Company. Other than as set out in this AIF, and as disclosed in all other documents filed by the company on SEDAR, Nadia Caira when or after she prepared the technical report, has not received nor is about to receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates (based on information provided to the Company by them) or is or is expected to be elected, appointed or employed for the first time as an officer of the Company or of any associate or affiliate of the Company.
- (c) Each of Joanne C. Freeze, P.Geo., Sean I. Waller, P.Eng., Michael Thicke, P.Geo. and Nadia Caira, P.Geo. of the Company are responsible for the preparation of certain technical information in the Company's news releases and other disclosure documents. Each of them is a "qualified person" for the purposes of NI 43-101, but Freeze and Waller are not independent as each is a director and/or officer of the Company. As of the date of this AIF:
  - (i) As of June 27, 2014, the date of this AIF, Ms. Freeze holds, directly or indirectly, 2,862,152 common shares and 745,000 stock options of the company; and
  - (ii) As of June 27, 2014, the date hereof, Mr. Waller holds, directly or indirectly, 468,500 common shares and 435,000 stock options of the company.
  - (iii) As of June 27, 2014, the date hereof, Mr. Thicke holds, directly or indirectly, nil (0) common shares and 90,000 stock options of the company.
  - (iv) As of June 27, 2014, the date hereof, Ms. Caira holds, directly or indirectly, nil (0) common shares and nil (0) stock options of the company.

### PROMOTERS

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

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

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

## ADDITIONAL INFORMATION

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

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

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

A copy of this AIF, the Company's Information Circular for its most recent annual meeting, the financial statements of the Company (including any interim statements from the past fiscal year) and Management Discussion and Analysis for the year ended March 31, 2014 and the subsequently completed interim periods in the past fiscal year may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) or be obtained upon request from the Corporate Secretary of the Company. A reasonable fee for copying may be charged if the request is made by a person who is not a registered security holder of the Company.

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

**Audit Committee Charter**

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

**“I. MANDATE**

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

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

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

**II. COMPOSITION AND QUORUM**

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

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

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

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

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

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

## **V. REGULATIONS**

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

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

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

**Composition of the Audit Committee**

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

<b>Name</b>	<b>Independent</b>	<b>Status</b>
Andres J. Milla, Chair of Audit Committee	Independent	Financially Literate
Larry D. Kornze	Independent	Financially Literate
Kenneth (Ken) G. Thomas	Independent	Financially Literate
Paul H. Barry	Independent	Financially Literate

**Relevant Education and Experience**

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

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

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

**Kenneth (Ken) G. Thomas.** Dr. Thomas has been in the mining business for over 40 years, serving in executive management positions at Barrick Gold Corporation, Hatch, Crystallex International Corporation and Kinross Gold Corporation, serving in various capacities, including project execution, project economics and project financing until June 26, 2014.

**Paul H. Barry.** Mr. Barry was appointed to the Audit Committee on June 26th, 2014. Mr. Barry received a Bachelor of Science degree, *magna cum laude*, in finance from Northeastern University in Boston, Mass. He also earned a master in business administration from Harvard University’s Graduate School of Business Administration. He is a graduate of the Harvard Business School Executive Program. He has over 30 years of operating experience in mining and energy in senior executive roles. He served as the Executive Vice President & Chief Financial Officer of Kinross Gold Corporation, 2011 and 2012. Mr. Barry serves as Senior Advisor, Mining & Metals, to

Atlas Advisors, New York. He was previously SVP & CFO at Pepco Holdings, Inc. He also serves on the Board of Directors of Forbes Royalty Corporation and Board of Advisors of Orgone Development L.L.C., a Ghana power project developer.

**Reliance on Certain Exemptions**

At no time since April 1, 2013, being the commencement of Candente Gold’s most recently completed financial year, has the Company relied on the exemptions of the following sections of National Instrument 52-110 *Audit Committees* (“NI 52-110”):

- (a) Section 2.4 (De Minimis Non-audit Services);
- (b) Section 3.2 (Initial Public Offerings);
- (c) Section 3.3(2) (Controlled Companies);
- (d) Section 3.4 (Events Outside Control of Member);
- (e) Section 3.5 (Death, Disability or Resignation of Audit Committee Member);
- (f) Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances);
- (g) Section 3.8 (Acquisition of Financial Literacy); or
- (h) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

**Audit Committee Oversight**

At no time since April 1, 2013, being the commencement of Candente Gold’s most recently completed financial year, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

**Pre-Approval Policies and Procedures**

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

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

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

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
March 31, 2014	CAD\$25,000	Nil	Nil	Nil
March 31, 2013	CAD\$39,000	Nil	Nil	Nil

<sup>(1)</sup> March 31, 2014 amounts are estimated, final billing pending.

