



**CANDENTE GOLD CORP.**



**AMENDED AND RESTATED  
ANNUAL INFORMATION FORM**

**For the fiscal year ended March 31, 2012 (unless otherwise noted)**

**Dated June 25, 2012**

## TABLE OF CONTENTS

	Page
PRELIMINARY NOTES .....	1
Documents Incorporated by Reference .....	1
Date of Information.....	1
Forward-looking Information.....	1
Currency and Exchange .....	2
Metric Equivalents .....	2
CORPORATE STRUCTURE .....	3
Name, Address and Incorporation.....	3
Intercorporate Relationships .....	3
GENERAL DEVELOPMENT OF THE BUSINESS .....	4
General .....	4
Three Year History .....	4
Significant Acquisitions.....	7
DESCRIPTION OF THE BUSINESS .....	7
General .....	7
Specialized Skill and Knowledge.....	7
Competitive Conditions .....	7
Business Cycles .....	8
Economic Dependence.....	8
Employees.....	8
Bankruptcy and Similar Procedures.....	8
Reorganizations .....	8
Environmental Protection .....	8
Risk Factors .....	9
Asset-backed Securities .....	15
MINERAL EXPLORATION PROJECTS.....	15
El Oro Project, Mexico .....	15
Peruvian Properties .....	46
DIVIDENDS .....	48
DESCRIPTION OF CAPITAL STRUCTURE .....	48
General Description of Capital Structure .....	48
Constraints .....	48
MARKET FOR SECURITIES .....	48
Trading Price and Volume .....	48
Prior Sales .....	49
ESCROWED SECURITIES .....	49
DIRECTORS AND OFFICERS .....	49
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS .....	51
CONFLICTS OF INTEREST.....	52
LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....	52
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	52
TRANSFER AGENTS AND REGISTRARS.....	53
MATERIAL CONTRACTS .....	53
INTEREST OF EXPERTS .....	53
Names of Experts.....	53

PROMOTERS .....	54
ADDITIONAL INFORMATION .....	54
SCHEDULE "A"            AUDIT COMMITTEE INFORMATION	



**CANDENTE  
GOLD CORP**  
TSX:CDG      BVL:CDG

1650 – 400 BURRARD STREET  
VANCOUVER BC, V6C 3A6  
TEL: 604.689.1957  
FAX: 604.685.1946  
TOLL FREE: 1.877.689.1964  
EMAIL: INFO@CANDENTE.COM  
WWW.CANDENTE.COM

July 3, 2012

British Columbia Securities Commission  
Alberta Securities Commission  
Ontario Securities Commission  
Saskatchewan Financial Services Commission  
The Manitoba Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Government of Newfoundland and Labrador  
Prince Edward Island Securities Office  
Toronto Stock Exchange

Dear Sirs:

**Re: Candente Gold Corp. - SEDAR Project No. 01929465  
Amendment and Restatement of the Annual Information Form (“AIF”)  
dated June 25, 2012 filed on SEDAR on June, 29, 2012**

---

Further to Section, 9.1(a) of the SEDAR User Manual, please be advised the Company has amended, restated and re-filed the AIF as a result of amendments to the Technical Report dated June 29, 2012, prepared by Nadia M. Caira and Joanne Freeze in respect of the Company’s El Oro Property (the “Technical Report”) to address the following typographical errors:

**Table of Contents:** Added word “Exploration” previously omitted regarding “Mineral Exploration Properties” and amended page numbers  
**Page 15:** Last sentence on second paragraph edits and all figure numbers taken out  
**Page 20:** Edit first paragraph  
**Page 26:** Edit Jesus del Monte, first paragraph  
**Page 28:** Edits H. Del Salto Vein  
**Page 31:** Edits Borda-Corona, second paragraph  
**Page 32:** Paragraphs 1 and 3 edits  
**Page 36:** First paragraph edits  
**Page 46:** Sentence prior to Recommendations deleted

The aforementioned edits were reflected in the excerpts from the Technical Report that were contained in the AIF.

Sincerely,  
**CANDENTE GOLD CORP.**

*“John P. Foulkes”*

John Foulkes  
VP Corporate Development

:lm

## 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, 2012; and
- (b) Management’s Discussion and Analysis of the Company for the year ended March 31, 2012;

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, 2012 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. 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, 2012		
	2012	2011	2010
Rate at end of period	USD 1.009	USD 1.029	USD 0.9846
Average rate for period	USD 1.007	USD 0.9840	USD 0.9171

On June 25, 2012, 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 0.9706 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 0.9716.

## METRIC EQUIVALENTS

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

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

## CORPORATE STRUCTURE

### NAME, ADDRESS AND INCORPORATION

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

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

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

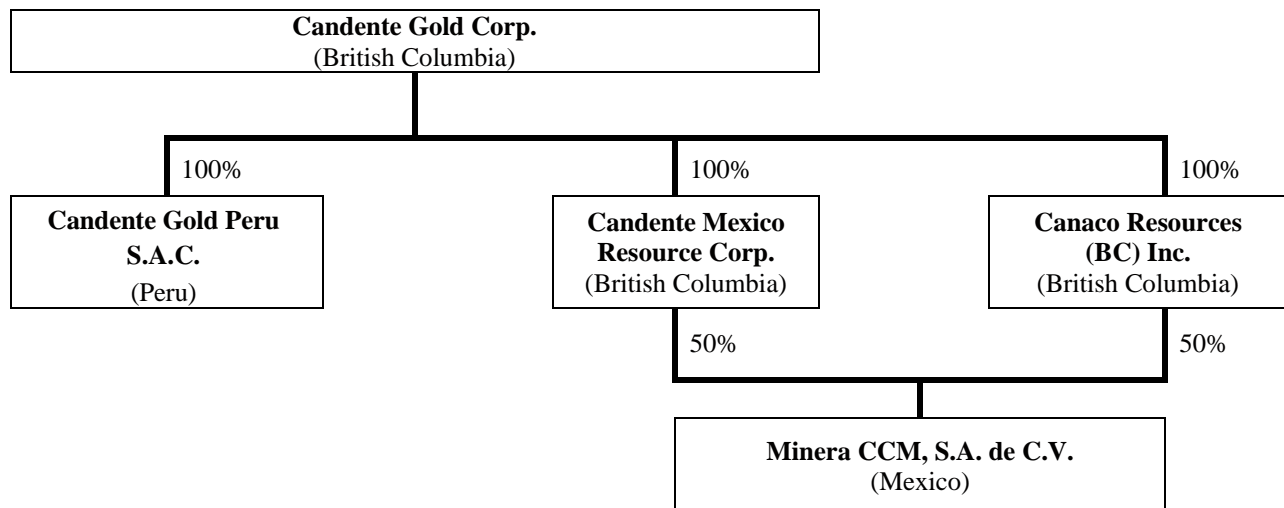
The Company is currently a reporting issuer in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

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

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

### INTERCORPORATE RELATIONSHIPS

The Company has four active, direct or indirect, wholly-owned subsidiaries: Candente Mexico Resource Corp. (“**CMRC**”) incorporated under the BCBCA; Canaco Resources (BC) Inc. (“**CRBI**”) incorporated under the BCBCA; Minera CCM, S.A. de C.V. (Mexico) (“**Minera CCM**”), incorporated under the laws of Mexico; and Candente Gold Peru S.A.C. (“**CGPS**”), incorporated under the laws of Peru . The following diagram sets out the intercorporate 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, CMRC, CRBI, Minera CCM and CGPS.

## 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 is 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 Michoacan, Mexico (the "**El Oro Property**"). As of February 2011, the Company had earned a 50% undivided interest in the El Oro property and on May 1, 2012, the Company advised the Optionor, Goldcorp S.A. de C.V. ("**Goldcorp Mexico**") (formerly Luismin S.A. de C.V.) of the completion of all obligations to earn an additional 20% working interest for a total interest of 70% in the project. In addition to the El Oro Property, the Company holds a 100% interest in the Tres Marias, Fredito, Lunahuana, Oro Queropalca, Alto Dorado/Toril, Las Brujas, Picota, Las Sorpresas and El Tigre properties in Peru. See "General Development of the Business – Three Year History" and "Description of the Business – Mineral Exploration Projects" for further information on the Company's assets.

### THREE YEAR HISTORY

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

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

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

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 CAD\$1,300,000, which was payable in cash or convertible into units of Candente Gold, based on the same terms and conditions as the private placement financing Candente Gold completed in the quarter ended December 31, 2009. On December 31, 2009, Candente Copper converted its CAD\$1,300,000 promissory note into 3,250,000 Common Shares and 1,625,000 Common Share purchase warrants of the Company. The warrants had an exercise price of CAD\$0.60 per Common Share and expired unexercised on January 4, 2012. Canaco advised the Company that it would not convert its promissory note (the "**Canaco Note**") and the Company paid CAD\$350,000 on June 30, 2010 and the remaining CAD\$950,000 remaining was paid on June 28, 2011.

As consideration for the transfer of the Peruvian Properties, the Company issued to Candente Copper 13.5 million Common Shares and agreed to issue a further 10 million Common Shares if and when a cumulative total of US\$5 million is spent on the Peruvian Properties. The Company also granted to Candente Copper a copper net smelter return ("**NSR**") royalty on certain of the Peruvian Properties.

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

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

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



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

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

In 2009, the parties to the 2006 Agreement entered into two letter agreements setting out certain amendments to the 2006 Agreement (as amended, the “**El Oro Agreement**”). In accordance with the terms of the El Oro Agreement each of Candente Copper and Canaco committed to issue to Goldcorp Mexico, 125,000 Common Shares in their respective share capital on or before November 30, 2009, and agreed that the Company would:

- issue to Goldcorp Mexico 250,000 Common Shares on or before November 30, 2009 (completed) and 250,000 common shares on or before May 30, 2010 (completed);
- issue to Goldcorp Mexico 250,000 Common Shares on or before November 30, 2010 (completed) and 250,000 Common Shares on or before November 30, 2011 (completed), in order to pay the required share consideration for the exercise of the First Option;
- make exploration expenditures of an additional \$1,500,000 to be completed on or before May 30, 2010 (completed);
- make an additional \$2,500,000 in exploration expenditures on or before November 30, 2011 in order to complete the required expenditure consideration for the exercise of the First Option (completed);
- issue to Goldcorp Mexico 500,000 Common Shares on or before November 30, 2012 and 500,000 Common Shares on or before November 30, 2013 in order to pay the required share consideration for the exercise of the Second Option; (completed);
- make an additional \$2,500,000 in exploration expenditures on or before November 30, 2012 and an additional \$2,500,000 in exploration expenditures on or before November 30, 2013 in order to complete the required expenditure consideration for the exercise of the Second Option; (completed) and
- once the Second Option has been exercised by the Company (completed on May 1, 2012), Goldcorp Mexico has 90 days (to July 30, 2012) to make elections regarding the following: (a) to participate at its then existing 30% right title and working interest in all of the property; (b) to earn back a 40% interest (to a total of 70%) in the exploration area only (non-historic area) by incurring exploration expenditures totalling 2.5 times the amount spent by the Company in the same area and participate at its then existing 30% right title and working interest in the historic area of the property; or (c) revert to a 6.5% net profits interest in all of the property.

During the quarter ended December 31, 2009, the Company completed a private placement (the “**Private Placement**”) for gross proceeds of US\$8,508,378 (CAD\$9,028,130) from the sale of units (“**Units**”) consisting of one Common Share and one-half Common Share purchase warrant (each full warrant, a “**Warrant**”). Pursuant to the Private Placement, the Company issued a total of 22,570,327 Common Shares and certificates representing 11,285,162 Warrants. Each full Warrant was exercisable at a price of CAD\$0.60 per common share until January 4, 2012. The Company paid to agents assisting in the Private Placement a total of US\$298,528 (CAD\$313,186) in cash commissions and issued to them 735,345 Common Share purchase warrants (the “**Agents’ Warrants**”). The cash commissions and Agents’ Warrants equaled 6.5% of the aggregate number of Units sold by the agents pursuant

to the Private Placement. Each of the Agents' Warrants was exercisable for a period of 24 months to purchase one additional Common Share of at a price of CAD\$0.60 per share.

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

Pursuant to the policies of the TSX, on January 6, 2010, the Company was deemed to have issued 1,638,350 Company options to option holders of Candente Copper on the basis of one Company option for every five options in Candente Copper existing at the time the arrangement was completed. The 8,191,750 Candente Copper options (the "**Copper Options**") have exercise prices ranging from CAD\$0.42 to CAD\$1.40 and expiry dates from January 3, 2011 to November 24, 2014. 1,337,100 of these options have been forfeited as of March 31, 2012. The Company will receive or has received 24.06% of the exercise price on the exercise of the Copper Options.

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

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

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

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

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

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

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

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\$0.06 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.

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

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

- In the Historic Mining Area (as defined in El Oro Agreement, Goldcorp Mexico now has 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 has 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.

## **SIGNIFICANT ACQUISITIONS**

During the financial year ended March 31, 2012, there were no significant acquisitions completed by the Company 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 50% interest, with an option to earn an additional 20% 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 March 14, 2011, the Company filed an amended technical report on the El Oro Property titled “Amended Technical Report on Candente Gold Corp.’s El Oro Project in the states of Mexico / Michoacán ” (the “**Technical Report**”) and which is compliant with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”). The Technical Report is dated effective February 28, 2011 and was prepared by Mark J. Pryor, former Vice-President Exploration of the Company and 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. While recent increased activity in the resource mining industry has made it more difficult to locate competent employees and consultants in such fields, the Company has found that it can locate and retain such employees and consultants and believes it will continue to be able to do so.

Management is composed of a team of individuals who have extensive expertise in the mineral exploration industry and exploration finance. See “Directors and Officers”.

### **COMPETITIVE CONDITIONS**

Competition in the mineral exploration industry is intense. The Company will compete with other mining companies, many of which have greater financial resources and technical facilities for the acquisition and

development of mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants.

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

## **BUSINESS CYCLES**

The marketability of minerals and mineral concentrates is affected by worldwide economic cycles as are capital markets. In recent years, the significant demand for minerals in developing countries (notably China and India) has driven commodity prices to historic highs. While the downturn in the world economy in 2008 and 2009 significantly moderated the high prices, and temporarily reduced the upward price trends for many commodities (including several that the Company is in the business of exploring for), the upward price trends were re-established in 2010 and 2011. However commodity prices are typically variable and should an extended period of low commodities prices occur, it could significantly affect the economic potential of the Company's current properties which could make it difficult for the Company to raise funds for its exploration activities.

## **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, 2012, the Company and its subsidiaries had 6 employees in Canada, 5 of which also provide services for Candente Copper and was billed by Candente Copper for these services, 4 contractors in Canada, 1 employee in Peru and 14 employees and 7 contractors in Mexico. 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 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 and, other than historical resource estimates for the El Oro Property which are not compliant with NI 43-101, there are no known resources, on any of the Company's properties. The majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.** Substantial expenditures are required to establish ore reserves through drilling, metallurgical and other testing techniques, determination of metal content and metallurgical recovery processes to extract metal from the ore, and to construct, renovate or expand mining and processing facilities. No assurance can be given that any level of recovery of ore reserves will be realized or that any identified mineral deposit, even if it is established to contain an estimated resource, will ever qualify as a commercial mineable ore body which can be legally and economically exploited. **Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.**

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

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

addition, general economic indicators deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

These conditions improved to certain extent in later 2009 throughout 2011, albeit with continued volatility, and have deteriorated again in 2012. These unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited the access to capital and credit for many of these companies. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, the necessary risk capital to fund its exploration projects. The Company's access to this additional capital may not be available on terms acceptable to it or at all.

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

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

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

*Share Price Volatility:* From 2008 on worldwide securities markets, particularly those in the United States and Canada have experienced and are experiencing a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, experienced unprecedented fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced declines in value and there had been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds forced many of such funds (including those holding the Company's securities) to sell such securities at any price. **As a consequence, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.** Therefore, there can be no assurance that significant fluctuations in the trading price 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.

*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 to the areas covered by its mineral tenures. Access to the surface for the purpose of carrying on mining activities often requires additional negotiations for surface access or to purchase the surface rights when 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 police or governmental officials to assist a foreign company 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.

*No Assurance of Profitability:* The Company has no history of production or earnings and due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. All of the Company's properties are in the exploration stage and the Company has not defined or delineated any proven or probable reserves on any of its properties. None of the Company's properties are currently under development. Continued exploration of its existing properties and the future development of any properties found to be economically feasible, will require significant funds. The only present source of funds available to the Company is through the sale of its equity securities or the sale or optioning of a portion of its interest in its mineral properties, or by incurring debt. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further

exploration that may be necessary to determine whether or not a commercially mineable deposit exists. The Company has a deficit of US\$12,498,601 to March 31, 2012. Deficit means the amount of accumulated losses incurred by the Company since inception to March 31, 2012, and does not represent amounts due by the Company. The Company does not know if it will ever generate material revenue from mining operations or if it will ever achieve self-sustaining commercial mining operations. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

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

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

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

*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.

*Limited Experience with Development-Stage Mining Operations:* The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places its resource properties into production.

*Estimates of Mineral Reserves and Resources and Production Risks:* The mineral resource estimates presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made only by independent geologists and engineers, and no

assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the estimates published by the Company. Accordingly, there can be no assurance that:

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

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

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

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

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

## ASSET-BACKED SECURITIES

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

## MINERAL EXPLORATION PROJECTS

Following is a description of the Company's mineral properties in Mexico and Peru and its interest in such properties. Currently, the Company considers El Oro Property in Mexico as its material exploration project. As of March 31, 2012, a total of US\$10,003,224 has been spent by the Company, Candente Copper and Canaco, in exploration on the El Oro Project.

### EL ORO PROJECT, MEXICO

The following information is summarized from the Technical Report dated June 29<sup>th</sup>, 2012 entitled "National Instrument 43-101 F1 Amended Technical Report on Candente Gold Corp.'s El Oro Project in the Mexican states of Mexico and Michoacán" prepared by Nadia M. Cairra, P.Geo., and Joanne C. Freeze, the Company's President and CEO and filed on SEDAR at [www.sedar.com](http://www.sedar.com) on June 29<sup>th</sup>, 2012, 2012.

### PROJECT DESCRIPTION AND LOCATION

The El Oro Property is located approximately 120 km west-northwest of Mexico City in the states of Mexico and Michoacán. The El Oro Property consists of 27 claim blocks totalling 17,959.0557 hectares.



El Oro Property Location Map

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

The terms of the 2006 Agreement were as follows:

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

On February 2, 2009, Candente Copper, Minera CCM, Canaco, Goldcorp Mexico and Desarrollos Mineros agreed to one-year extensions to all option payments (the “**Amendments**”) set out in the 2006 Agreement.

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

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

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

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

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

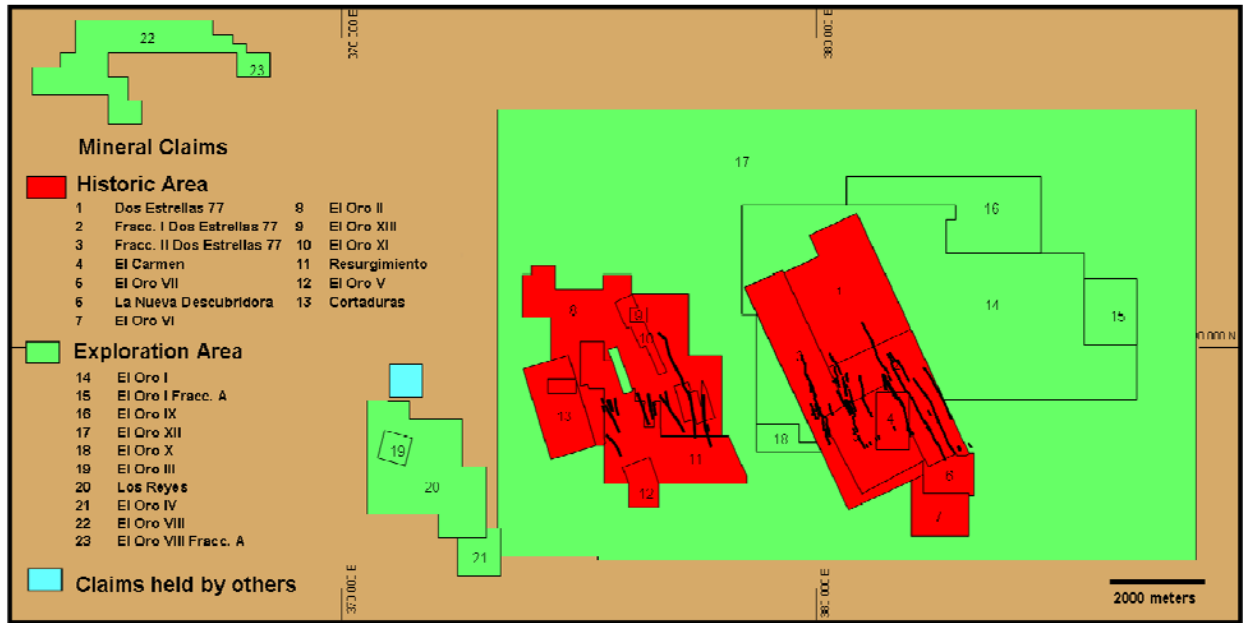
On May 1, 2012, the Company delivered notice to Goldcorp Mexico that it has fulfilled all requirements necessary to exercise the Second Option to earn an additional 20% interest in the El Oro Property. Goldcorp Mexico has a period of 90 days to advise Candente Gold of its decisions regarding the following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

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

The details of each claim and the El Oro Property claim map are below:

Claim Name	Surface (hectares)	Claim No.	Term From/To	Claim Type	Location
El Carmen	84.0000	156873	May 10-1972 to May 9-2022	Mining	El Oro, Mexico
Resurgimiento	412.7565	177586	April 1-1986 to May-31-2036	Mining	Tlalpujahuá, Michoacán
Cortaduras	182.0056	179074	Nov 17-1986 to Nov 16-2036	Mining	Tlalpujahuá, Michoacán
Los Reyes	499.3463	179519	Dec 10-1986 to Dec-09-2036	Mining	Tlalpujahuá, Michoacán
Frac II Dos Estrellas 77	380.3055	191267	Dec 19-1991 to Dec-18-2041	Mining	Tlalpujahuá, Michoacán
Frac.I Dos Estrellas 77	330.3153	191268	Dec 19-1991 to Dec-18-2041	Mining	El Oro, Mexico
Dos Estrellas 77	478.3939	191269	Dec 19-1991 to Dec 18-2041	Mining	Tlalpujahuá, Michoacán
El Oro III	36.0000	215271	Feb 14-2002 to Feb-13-2052	Mining	Tlalpujahuá, Michoacán
El Oro VIII Fracc.A	24.1920	215302	Feb 14-2002 to Feb-13-2052	Mining	Tlalpujahuá, Michoacán
El Oro V	59.9117	215303	Feb 14-2002 to Feb-13-2052	Mining	Tlalpujahuá, Michoacán
El Oro IV	77.9797	215329	Feb 14-2002 to Feb-13-2052	Mining	Tlalpujahuá, Michoacán
El Oro X	62.4890	215533	Feb 28-2002 to Feb-27-2052	Mining	El Oro, Mexico
El Oro I Fracc.A	155.3469	215534	Feb 28-2002 to Feb-27-2052	Mining	El Oro, Mexico
El Oro VI	115.8852	215535	Feb 28-2002 to Feb-27-2052	Mining	El Oro, Mexico
El Oro I	1847.3127	215536	Feb 28-2002 to Feb-27-2052	Mining	El Oro, Mexico, Tlalpujahuá, Michoacán
El Oro IX	439.6603	215537	Feb 28-2002 to Feb-27-2052	Mining	El Oro, Mexico, Tlalpujahuá, Michoacán
El Oro VIII	416.8080	216708	May 17-2002 to May-16-2052	Mining	Tlalpujahuá, Michoacán
El Oro II	734.7005	216935	June 5-2002 to June-4-2052	Mining	Tlalpujahuá, Michoacán
El Oro VII	203.1999	217504	July 16-2002 to July-15-2052	Mining	El Oro, Mexico
El Oro XI	43.7478	221779	Mar 19-2004 to Sept 17-2052	Mining	Tlalpujahuá, Michoacán
El Oro XII	8278.4633	219142	Feb 14-2003 to Feb-13-2053	Mining	El Oro, Mexico, Tlalpujahuá, Michoacán
El Oro XIII	8.5056	219719	Aoril 3-2003 to April-2-2053	Mining	Tlalpujahuá, Michoacán
La Nueva Descubridora	79.2594	226074	Nov 16-2005 to Nov 15-2055	Mining	El Oro, Mexico
El Oro XIV Fracc.A	2981.1786	239006	Nov-14-2061	Mining	
El Oro XIV Fracc.B	4.6344	239007	Nov-14-2061	Mining	
El Oro XIV Fracc. C	21.2848	239008	Nov-14-2061	Mining	
El Oro XIV Fracc. D	2.3728	239009	Nov-14-2061	Mining	
<b>TOTAL</b>	<b>17960.0557</b>				

(source: RB Abogados, Mexico City June 21, 2012)



### ***ROYALTIES AND OTHER PAYMENTS***

Goldcorp Mexico holds 100% right, title, and interest in and to the existing concessions 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.
- 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).

### ***ENVIRONMENTAL LIABILITIES***

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

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

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

Under Mexican environmental law, all historic work (mines/tailings/waste dumps, etc.) performed prior to 1988 is exempt and not the responsibility of the current concession holder. Candente Copper and Canaco obtained the

Option in 2006 and transferred it into Minera CCM. In April of 2009, the Company purchased Minera CCM from Candente Copper and Canaco.

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

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

The El Oro Property is located within a historical mining district. The majority of the more recent historic gold and silver production came from two principal veins: the Veta San Rafael (located in the State of Mexico) and the Veta Verde (located in the State of Michoacán). Company personnel have located many historical shafts and adits in the field. A significant number of the underground mine records, plans and sections were digitized from the historical maps.

The historical mine workings of the San Rafael and Veta Verde veins are located below a post mineral volcanic cover of up to 300m in thickness. The surface facilities of the historic workings are limited to a number of vertical access shafts and adits within the town limits of El Oro and Tlalpujahua.

Tailings from past production are present on the surface and can be found in several locations on the El Oro Property. The Company does not own these tailings but they are available for purchase if desired.

### ***PERMITTING***

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

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

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

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

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

### ***SURFACE RIGHTS***

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

Goldcorp Mexico in the 1970’s purchased the surface rights to 12 hectares over an area within the Cortaduras project, an area of interest lying in the south-western corner of the El Oro Property.

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

The El Oro Property is located approximately 120 km west-northwest of Mexico City and 80 km northwest of Toluca. The property has excellent road access and can be reached by paved highway from the Mexico City International Airport in 3-4 hours by car.

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

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

There are two main seasonal climate changes. In Winter, from November to January, the climate is cooler with occasional snow accumulation. Summer, from July to August, is the rainy season. At this time of the year, unpaved roads can be difficult to access, and at times roads can be washed out. Access to water can be limited and is easier to secure during the rainy season, however the main creeks can provide year-round water supply. The best time for field exploration activities is during the dry season which lasts from November to May.

### ***HISTORY***

The El Oro Mines have collectively been described as some of the most significant high-grade, gold-silver producers in the history of Mexican mining, with past production of approximately eight million gold equivalent ounces from the San Rafael and Veta Verde veins. Historic production from the Borda and Corona veins is poorly documented although estimates have indicated an 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 1700s (Corona and Borda vein systems). The height of the mining activity began in 1896 and in the span of 33 years four companies mined predominantly the San Rafael and Veta Verde veins producing in excess of 17.5 million tonnes of ore grading 11.9 g/t gold and 121 g/t silver (6.4 million ounces gold and 74 million ounces silver).

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

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

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

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

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

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

*Years 1937 to 1960:* Mining laws dictated that Dos Estrellas turn the mines over to the mine workers as debt payment from 1937. La Cooperativa Las Dos Estrellas en el Oro y Tlalpujahua ("The Cooperative") was formed and continued operating the mines predominantly as a salvage operation with the mining of backfill and exploitation of



in-situ higher grade pillars. The Cooperative was administered and subsidized by a commission of the Mexican government that eventually proved uneconomic and resulted in the closure of the mines in 1959.

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

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

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

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

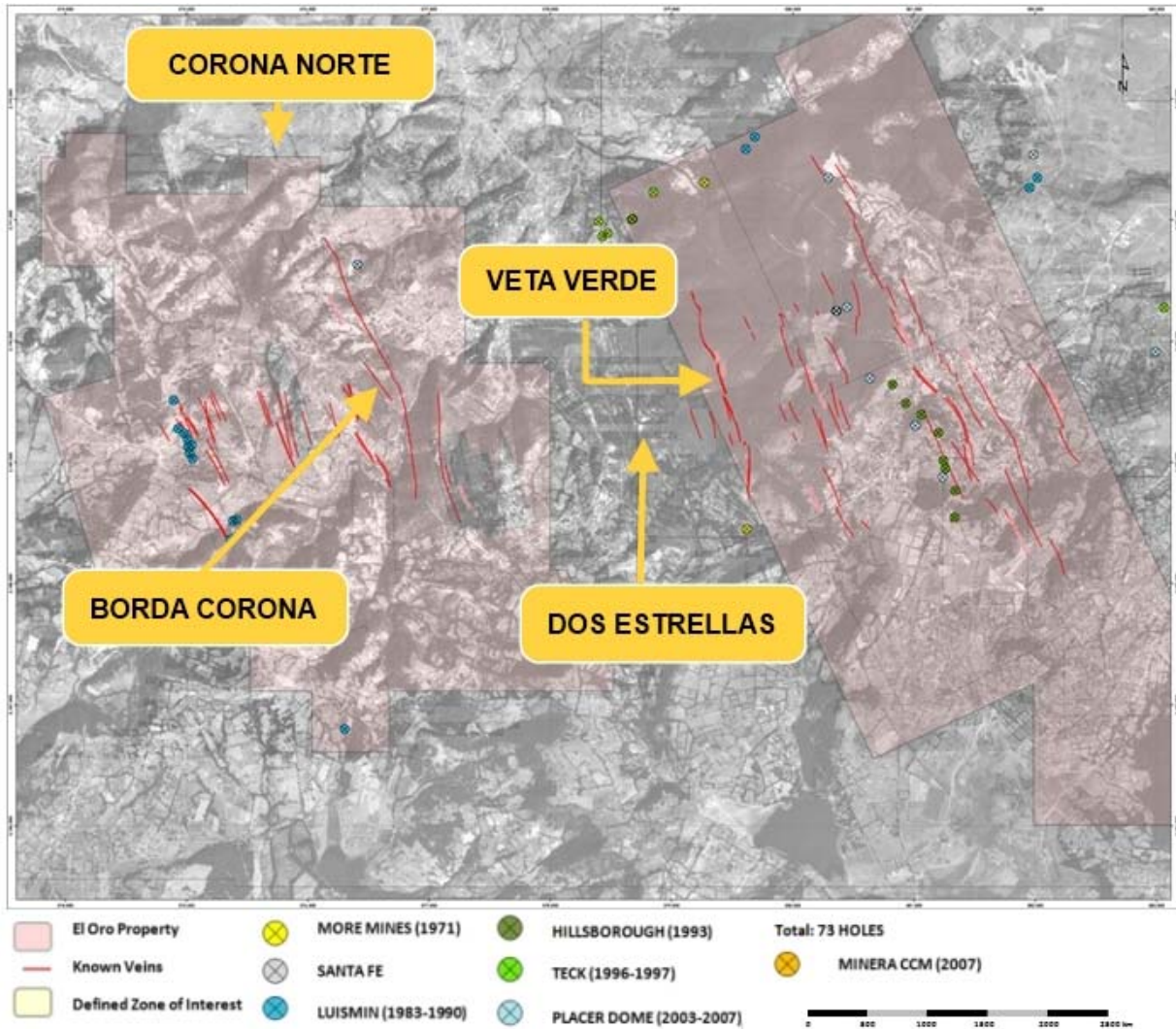
Year 1995: Minera Santa Fe drilled 15 reverse circulation holes (RC) north of San Francisco de Los Reyes. There are no collar locations, geological or geochemical information available for these holes.

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

Years 2002 to 2004: Placer completed a geochemical survey in the Oriente area and took measurements of gas vapors (CO<sub>2</sub>). Three of the geochemical targets were drilled. One diamond drill hole (“DDH”) and one reverse circulation (“RC”) drill hole tested the down dip extensions of the Corona vein, 4 DDH holes tested the San Rafael and the north extension of the Descubridora vein in the Buen Despacho area, and one hole was drilled in the Oriente area.

The Placer exploration program (Figure 4) for the San Rafael vein consisted of digitizing all the 2600 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 one km section of the San Rafael vein. A four hole diamond drill program tested the down dip potential of the defined ore shoots at the bottom of (but not below) the historic workings.

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



### Historic Exploration Drilling on the El Oro Property

Years 2006 to 2008: Candente Gold completed a program of surface soil sampling and NSAMT geophysics across the area known as the Orient Zone (Zona Oriente) lying to the east of the historic mining area of El Oro in order to outline areas of potential veining that may have the potential to host mineralization. A total of 36 line kms of NSAMT geophysics as well as the collection of 570 soil, 13 silt and 82 rock samples was completed.

Drilling of a series of 9 diamond drill holes (4,095.55m) were also completed; three within the San Rafael structure, 3 within the Veta Verde (2 of which were abandoned due to bad ground conditions), 1 drill holes at the Borda Vein and 2 drill holes along the southern portion of the Corona Vein.

The objective of the 2007 exploration program was to drill test the down dip extensions of four main veins including: the San Rafael; Veta Verde; Borda; and Corona in the El Oro – Tlalpujahua area and to generate drill targets by the application of geochemistry and geophysical surveys in the under-explored Oriente area located directly northeast of the San Rafael vein. In addition, an exploration program was designed with a focus on the development of a NI43-101 compliant resource beneath the old workings of the San Rafael Vein system.

Year 2010: Candente Gold Corp. started the rehabilitation of the San Rafael tunnels and investigated old workings. The Andrea Target is a low sulphidation epithermal style vein and breccia system outcrop coinciding with gold-silver-antimony geochemical anomalies in soils and an NSAMT (Natural Source Audio Magnetic Telluric)

geophysical anomaly. The Andrea vein was discovered by Candente in 2006. Drilling of the Andrea vein tested the down dip extensions to the vein as well as any additional blind mineralized structures through a series of increasingly deeper holes from surface. The first and shallowest of these holes successfully intersected sulphidic quartz-calcite vein material and significant zones of argillic alteration within the volcanic units that overlie the sedimentary package that hosts the San Rafael and all other mineralized veins in the district. The second, deeper hole intersected mineralized quartz-calcite veins and fault structures within both the volcanic and sedimentary packages (Candente Gold Corp., NR004, May 20, 2010)

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

#### Rehabilitation of the San Rafael Underground Workings

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

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

#### Somera Tuff Target

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

#### The San Juan Underground Tunnel

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

#### The Calera Vein Target

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

#### The Oriente Target

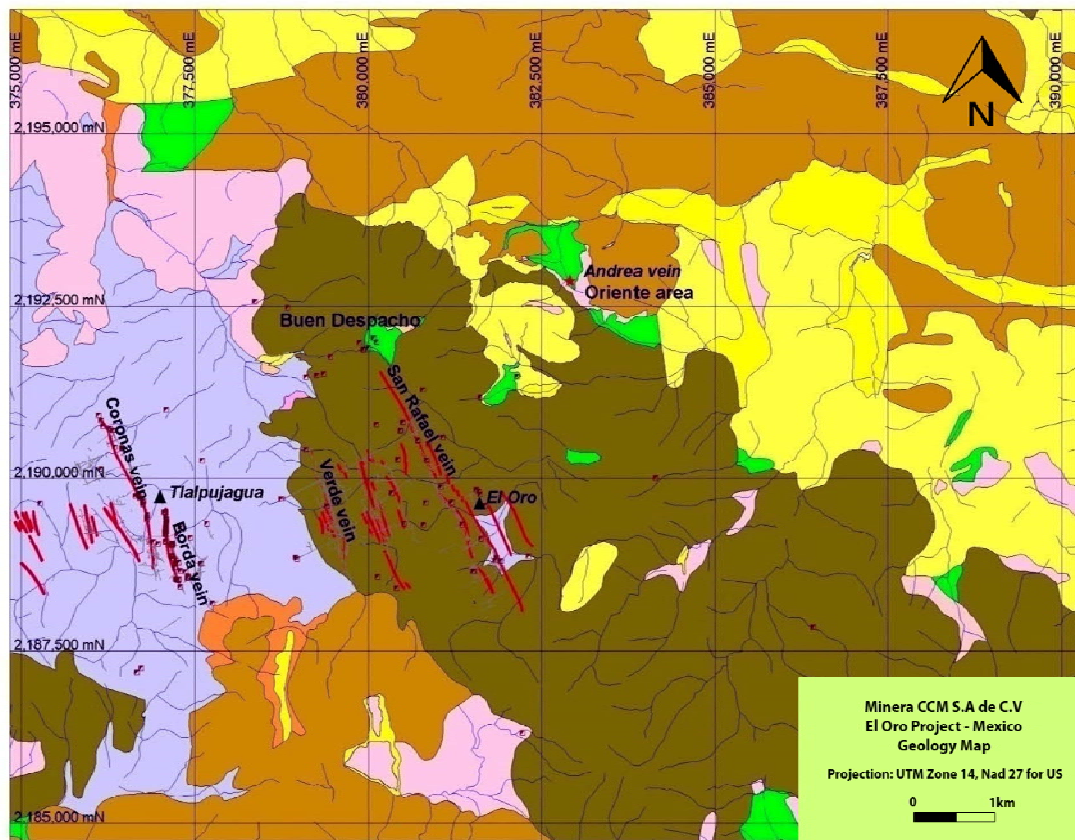
Several geological, geochemical, and geophysical targets with the potential to represent buried and previously unknown vein systems similar to San Rafael were identified at the Oriente Zone, which lies 1,000 to 4,000 meters east of the historic mining centres. These targets included linear features delineated by NSAMT geophysics coinciding with geochemical anomalies in soils and rocks and zones of alteration. Drilling failed to intersect any mineralization of economic interest in this area. In 2010 a total of 3,336.80 metres were drilled in 6 holes (ZO10-01 to 06). No additional drilling is planned in this area.

## ***GEOLOGICAL SETTING***

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

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

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



**QUATERNARY & TERTIARY**

- Alluvium
- Basalt Lava Flows
- Lake Sediments
- Pumice, Ignimbrite and Rhyolite Tuff
- Hornblende Andesite Lava Flow
- Base Conglomerate

**CRETACEOUS**

- Feldspar Porphyry Crystal Tuff and Tuff agglomerate
- Metasediments and Metavolcanics

**INTRUSIVE ROCKS**

- Metadiorite
- Prophyry Syenite
- Shafts & Adits
- Veins
- Underground Workings
- Towns
- River

**El Oro Property Geology Map**

**EXPLORATION**

In 2011, Candente Gold Corp. completed a 10,117.97 metre drill program in 28 core holes. A total of 8 of the 28 holes were lost due to difficult ground conditions. The drill program was based on Placer Dome’s “A” Blocks that were created in 2003 using the underground sampling control from El Oro Mining and the creation of a grade model in Vulcan along the trace of the San Rafael Vein. Four zones along San Rafael Vein were targeted from south to north including: Providencia Shaft; Norte Shaft; Mexico Esperanza; and Buen Despacho.

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

## Underground Exploration

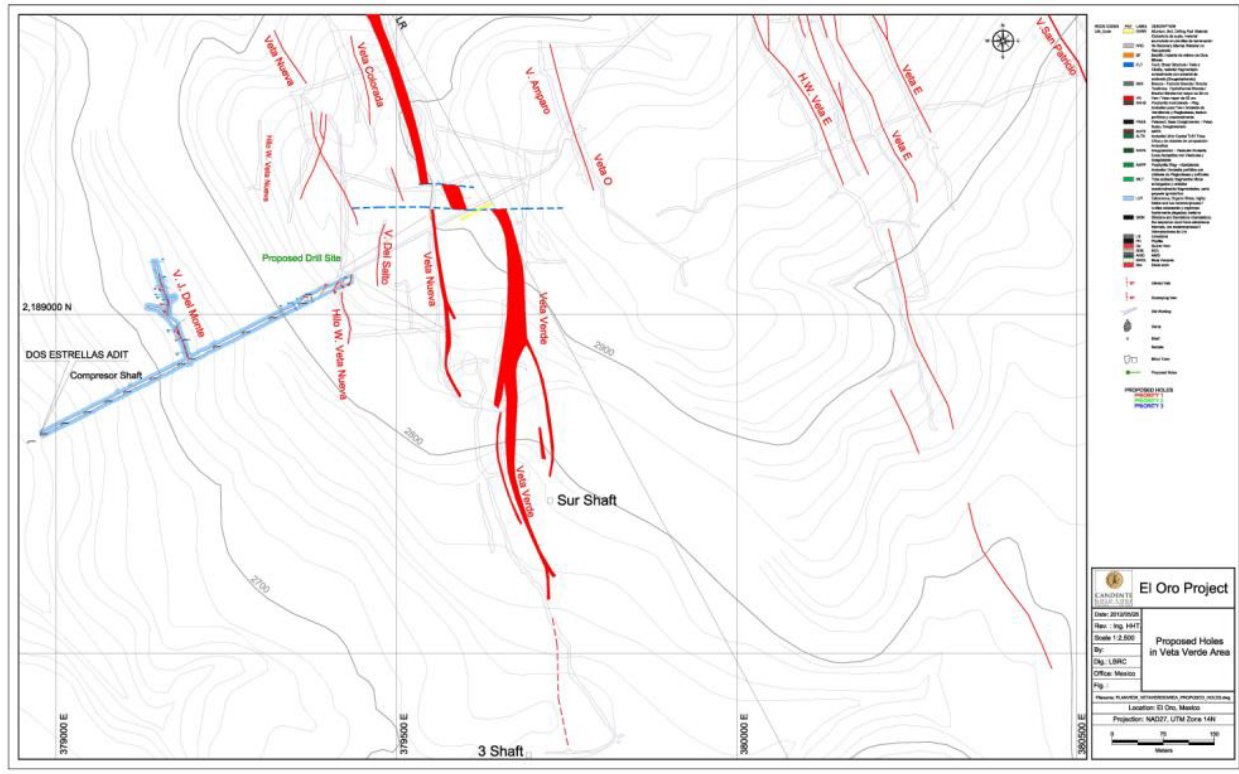
Rehabilitation of the Dos Estrellas adit opened access to stopes and areas of veining. These areas were mapped and sampled and are being considered for drilling.

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

## Jesus del Monte Vein Mapping and Sampling

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

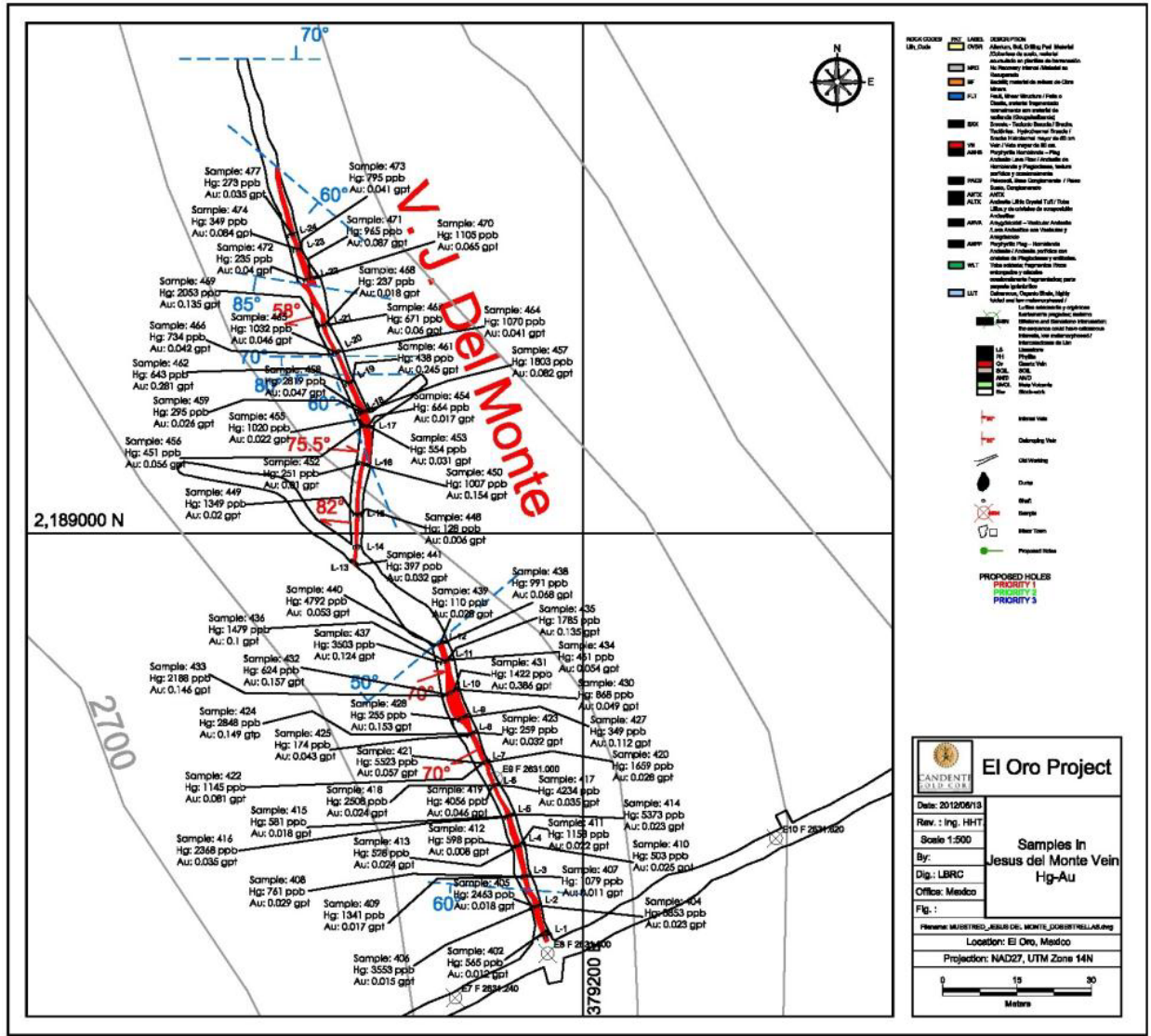
The results from this sampling program returned moderately high in silver and mercury suggesting that the Jesus del Monte adit has intersected the upper levels of an epithermal vein system. This would suggest that good potential exists below this adit where underground workings are notably absent.



**Location of the Sampling/Mapping from the Jesus del Monte Vein.**

**Table 2: Underground Sample Assay Results Au g/T, Ag g/T and Hg/ppb at the Jesus del Monte Vein**

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



### Sampling Locations and Results at the Jesus del Monte vein

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

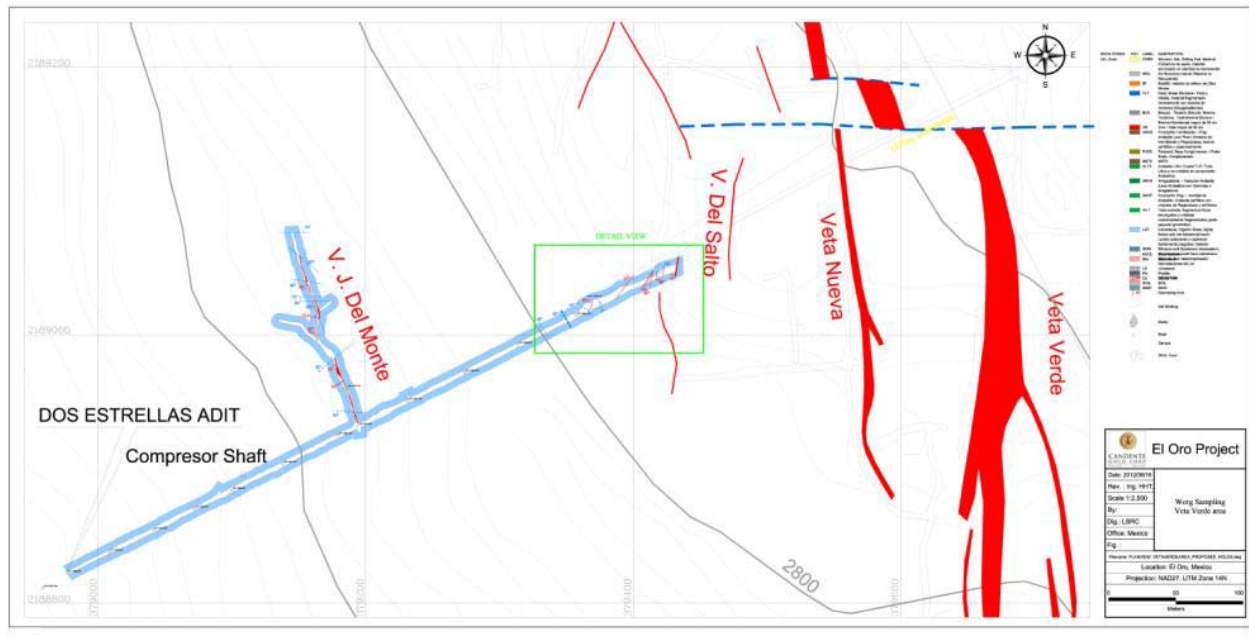
### H. Del Salto Vein Underground Sampling

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

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

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

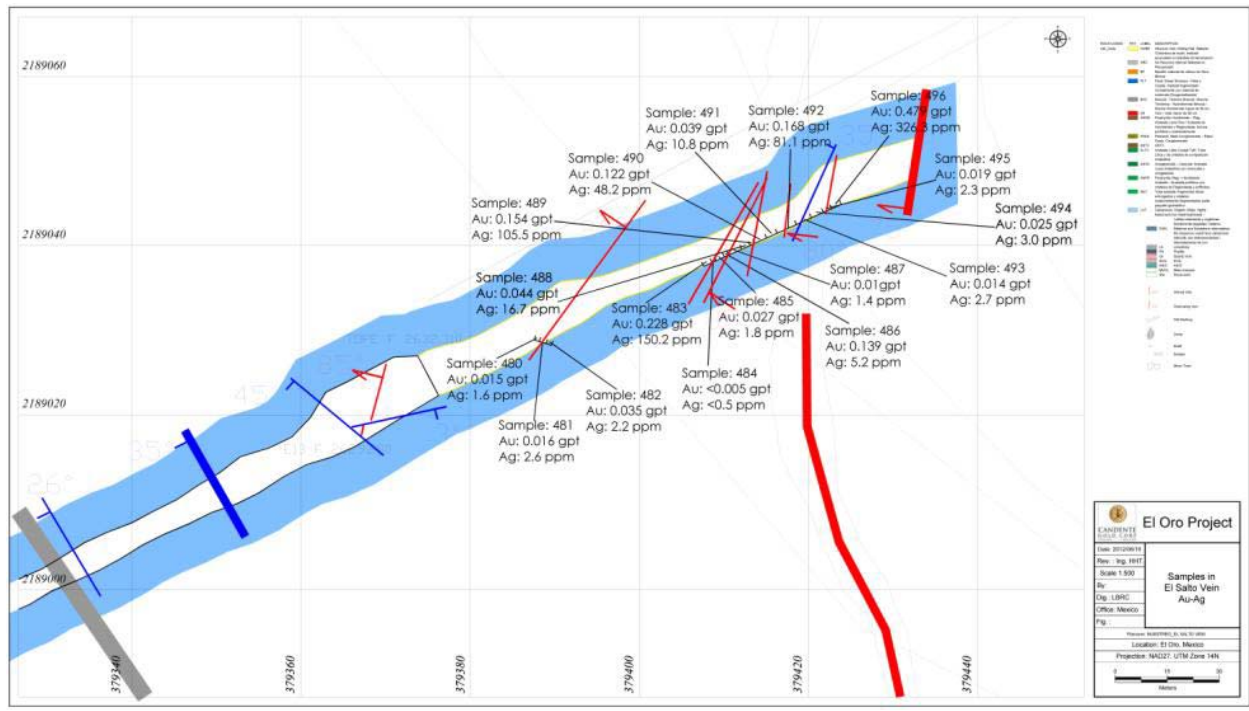




**Sampling and Mapping of the Veta H. del Salto and Dos Estrellas Underground Rehabilitation Work**

**Table 3: Significant Assay Results in Au (g/T) and Ag(ppm) From the Veta H. del Salto**

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

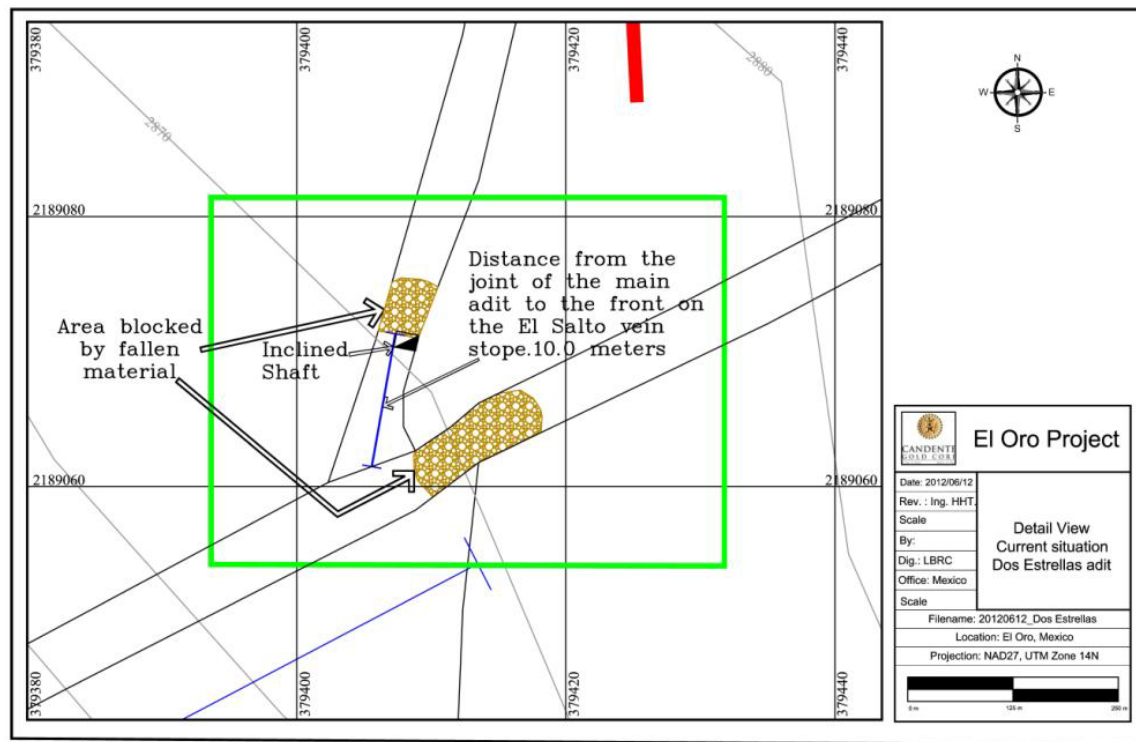


**Assay Results: Au g/T and Ag(ppm) From the Veta H. del Salto**

### Veta Verde, Dos Estrellas Adit Rehabilitation

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

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



**Map of the Drill Pad Location in Dos Estrellas Adit.**

### **Borda - Corona**

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

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

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

**Table 4: Candente Gold Corps. 2007 Drill Results for Borda and Corona**

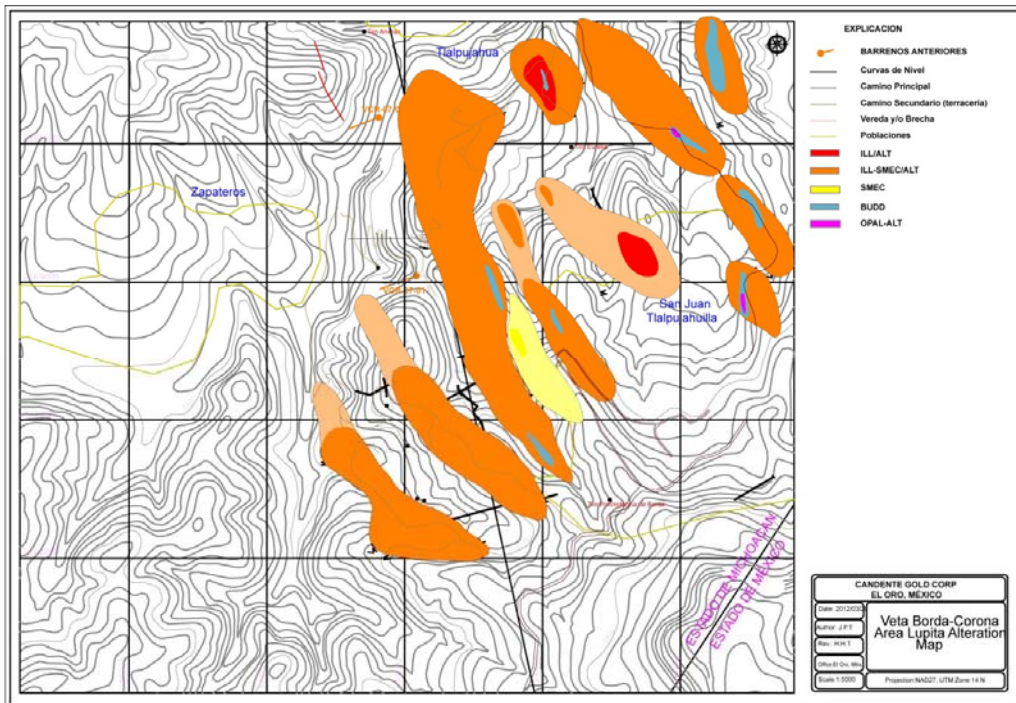
Hole ID	Name	From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)
VB-07-01	Veta Borda	262.45	262.95	0.5	0.014	0.30
VCR-07-01	Veta Corona	49.7	51	1.3	1.12	401.00
		223.15	228.1	4.95	0.453	42.12
		268.75	270.8	2.05	3.67	60.30
VCR-07-02	Veta Corona	109.1	111	1.9	0.04	6.90
		117.6	119.2	1.6	0.183	1.50
VCR-07-03	Veta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

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

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

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

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



**Alteration Map of Borda - Corona Target**

**Table 5: Assays Results from Borda -Corona Target Area**

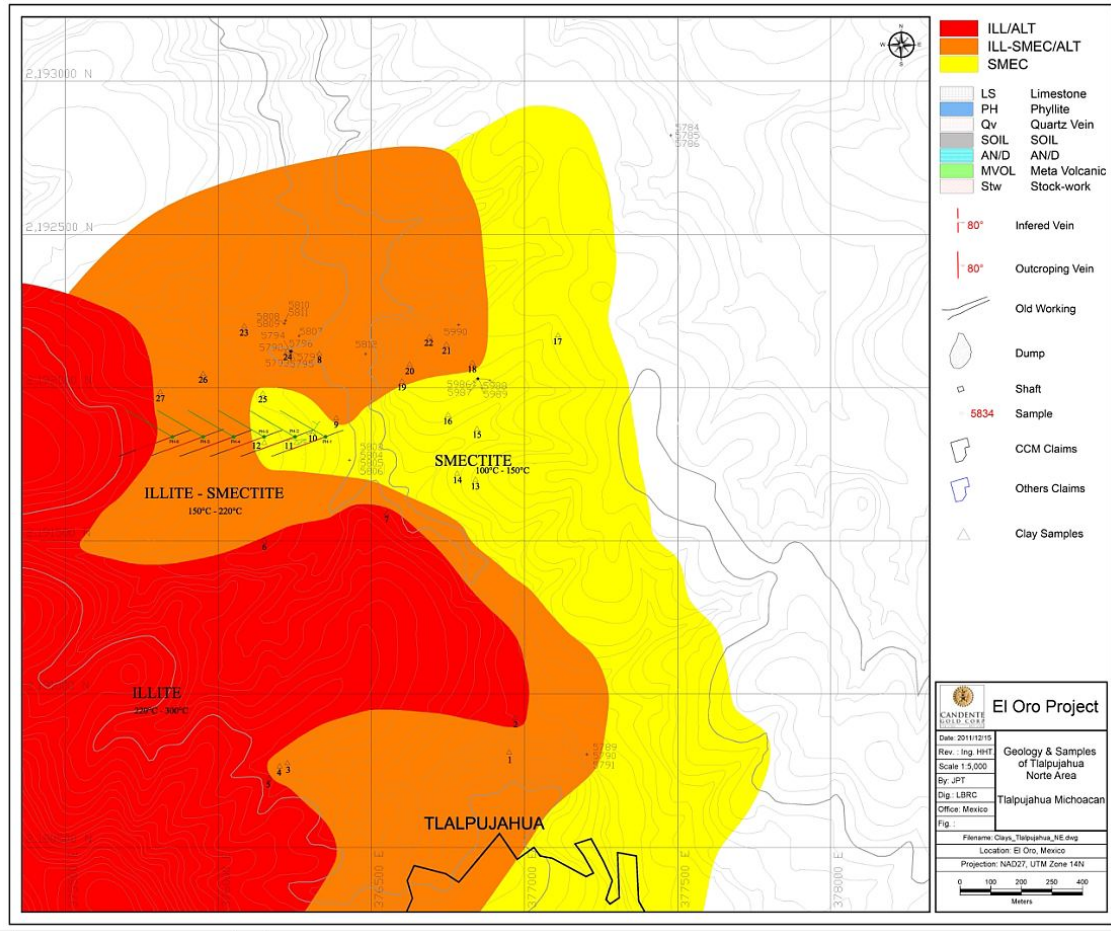
SAMPLE ID	ROCK SAMPLE DESCRIPTIONS	Au ppb	Agppm
5813	Santa Isabel dumps:white crusty Qz+bladed filling by lamellar Qz+coll Qz banding-Ag sulf.	4170	431.0
5814	Santa Isabel dumps:white crusty Qz+bladed filling by lamellar Qz & Oxides.	8730	201.0
5815	Santa Isabel dumps:white crusty Qz+bladed filling by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

## Corona North

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

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

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



**Alteration Map from the Corona North Target Area**

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

### Other Target Areas

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

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

**Somera Tuff Target:** The Somera Tuff Target was previously recognized as a potential bulk mineable target. The area is variably mineralized, with enhanced fluid flow and was further assessed by a review of previous drill holes

that were thought to have intersected this favourable lithologic unit (including SR03-01/01A/01B/02; VSR07-02/03 and VV07-01). Where intersected the tuff varies in width from 34 to 87 meters in thickness (*Candente Gold Corp., NR017, dated May 3, 2011*)

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

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

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

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

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

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

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

## ***DRILLING***

Major Drilling de Mexico, S.A. de C.V. (“Major”) and BDW Drilling de Mexico, S.A. de C.V. (BDW) were contracted to carry out the 2011 drilling program, Major supplied from March to November of 2011 a two named Major-50 drill rigs capable of performing diamond drilling with PQ, HQ and NQ diameters of drill roads for surface drilling. From March to July of 2011, BDW supplied an LF90 drill rig capable of performing diamond drilling with PQ, HQ and NQ diameter core and provided drill roads for surface drilling.

In 2011, Candente Gold Corp. completed a 10,117.97 meter drill program in 28 core holes. A total of 8 of the 28 holes were lost due to difficult ground conditions. The drill program was based on Placer Dome’s “A” Blocks that were created in 2003 using the underground sampling control from El Oro Mining and creation of a grade model in Vulcan along the trace of the San Rafael Vein. Four zones along San Rafael Vein were targeted from south to north including: Providencia Shaft; Norte Shaft; Mexico Esperanza; and Buen Despacho.

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



**Table 6: 2011 – Drill hole Data**

HoleID	Area	East	North	Elevation	Azimuth	Dip	Total Depth(m)
SR11-001A	EL ORO MEX/ CERRO SOMERA	380444.00	2190271.00	2990.00	60	-73	819.00
SR11-002	SAN PATRICIO SHAFT	380778.97	2189350.78	2820.00	65	-55	549.00
SR11-003	SAN PATRICIO SHAFT	380778.18	2189350.38	2820.00	65	-68	918.00
SR11-003-W1*	SAN PATRICIO SHAFT	380778.18	2189350.38	2820.00	65	-68	884.00
SR11-003-W2*	SAN PATRICIO SHAFT	380778.18	2189350.38	2820.00	65	-68	650.00
SR11-004	SAN PATRICIO	381008.47	2189302.04	2820.00	61	-70	707.10
SR11-004-W1*	SAN PATRICIO	381008.47	2189302.04	2820.00	61	-70	563.88
SR11-005	SAN PATRICIO	381008.47	2189302.04	2820.00	61	-80	663.35
SR11-006	SAN PATRICIO	381008.47	2189302.04	2820.00	0	-90	688.85
SR11-007	EL ATORON	381170.26	2188859.65	2850.00	50	-65	481.58
SR11-008	San Patricio	381008.47	2189302.04	2820.00	61	-75	536.45
SR11-009-C	EL ATORON	381170.26	2188859.65	2850.00	43	-62	469.39
SR11-009C-W1*	EL ATORON	381170.00	2188859.00	2850.00	43	-62	365.76
SR11-009C-W2*	EL ATORON	381170.26	2188859.65	2850.00	43	-62	435.87
SR11-010	SAN PATRICIO	381008.47	2189302.04	2820.00	70	-68	460.25
SR11-010-W1*	SAN PATRICIO	381008.47	2189302.04	2820.00	70	-66	469.39
SR11-011	EL ATORON	381170.26	2188859.65	2850.00	42	-85	417.58
SR11-011-W1*	EL ATORON	381170.26	2188859.65	2850.00	42	-85	550.16
SR11-012-W2*	SOMERA	380359.00	2190256.00	2980.00	58	-80	1008.89
SR11-012-W3*	SOMERA	380359.00	2190256.00	2980.00	58	-80	580.64

Note \* depicts wedge hole from a pilot hole

**Table 7: Significant Results from the San Rafael 2010-2011 Candente Gold Corp.**

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

\*Included in the interval above

## ***SURFACE DRILLING***

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

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

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

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

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

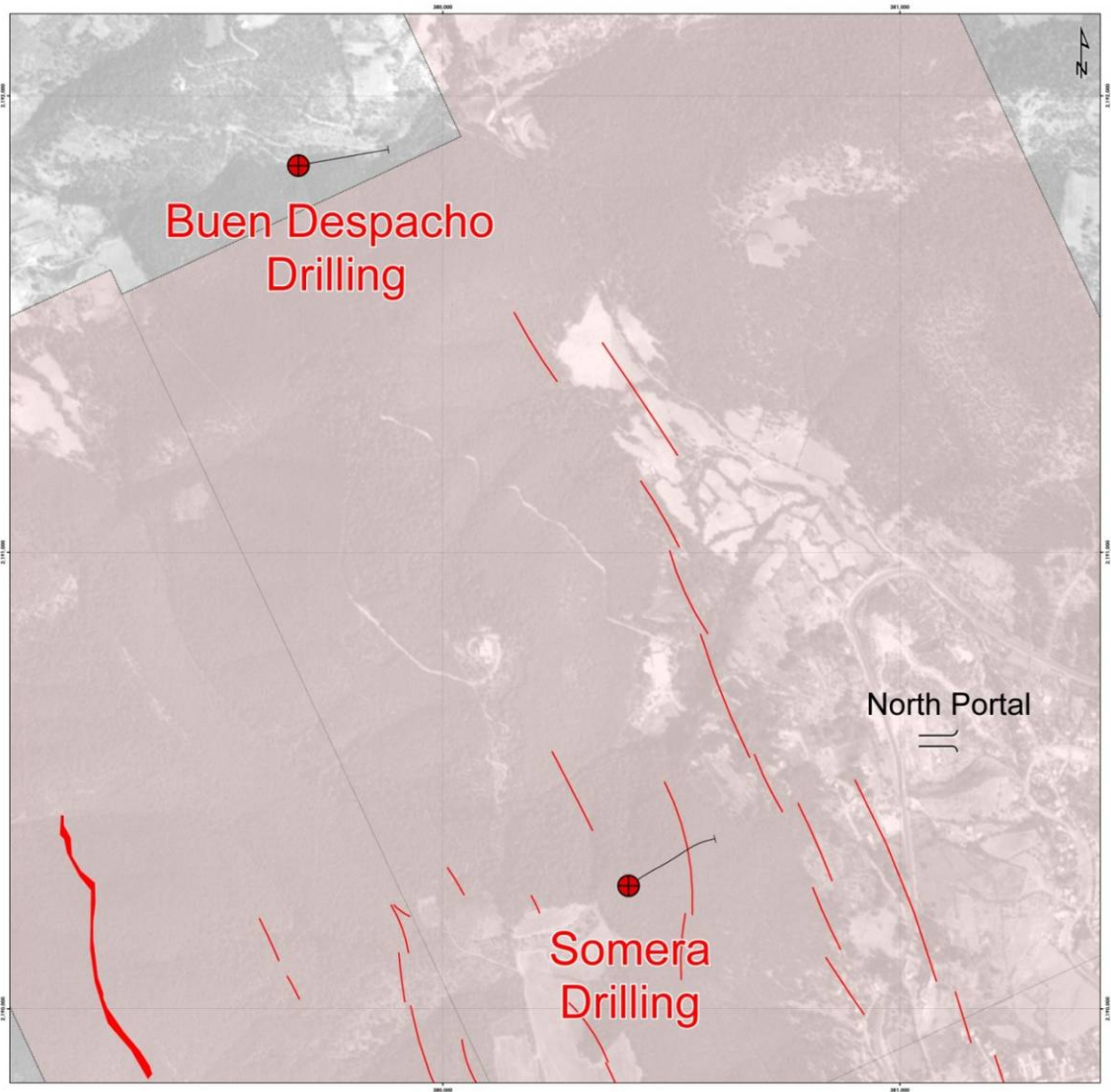
Assays from SR11-012-W2 include 0.55 g/t gold over the full 26.95 metre section, and higher grade zones within this interval including 6.16 g/t gold over 1.60 metres.

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

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

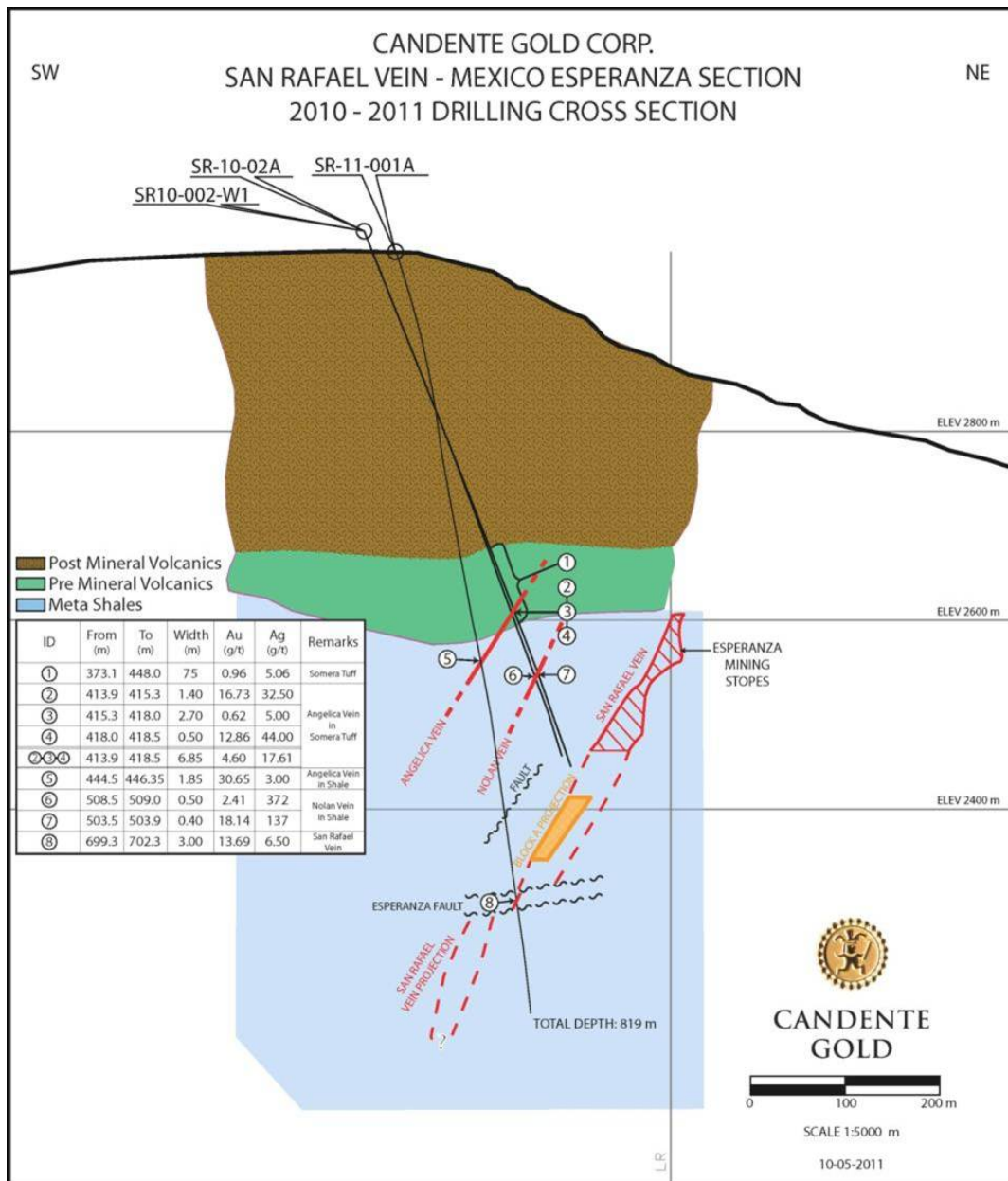
The Mexico-Esperanza area also had the highest grades of historic production (12-16 grams per tonne gold over an average vein width of 10 metres). The multiple intercepts in a single drill hole demonstrates that the veins are either repeated (due to faulting) and/or form a stacked mineralizing system.

Varying assemblages of anomalous levels of base and precious metals were encountered at various depths within the San Rafael vein system, and show no pattern related to increasing depth. Given that typical low sulphidation epithermal systems precipitate gold at their highest levels (the boiling zone), then silver, and then base metals towards the bottom of a system, this is further evidence that the San Rafael system has experienced multiple overlapping pulses of mineralization (*Candente Gold Corp, NR020 dated February 14, 2012*).



**Location of the 2010/11 Drilling Program**

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



**Somera Tuff 2011 Surface Drill Section Targeting San Rafael Veins**

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

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

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

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

### **Sampling**

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

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

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

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

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

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

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

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

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

All rock and core samples were shipped in batches to the Inspectorate, an internationally recognized assay service provider. The Inspectorate laboratory is a certified laboratory by the Standards Council of Canada Associated

Laboratories. Sample preparation was done in Durango, Mexico and assay analyses were done in Reno, Nevada U.S.A. A sample list was included with each shipment, and the laboratory confirmed the sample list upon sample arrival at its destination.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***DATA VERIFICATION***

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

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

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

The data verification protocols are consistent with industry standard.



## ***MINERAL RESOURCE AND MINERAL RESERVES ESTIMATES***

### **Historic Mineral Resource Estimates**

A NI 43-101 compliant mineral resource estimate has not been completed for the El Oro Property. Mineral resources quoted are historic in nature. Historic mineral resources of in situ and stope fill material have been estimated mainly for the San Rafael vein as the documentation and data is most complete for this zone. The possible in situ resource remaining in the San Rafael vein is contained in vein material that is predominantly situated lateral to the workings, hanging and footwall material as well as pillars and backfill.

The most comprehensive historic mineral resource estimate was completed by Goldcorp Mexico in 1992. Goldcorp Mexico estimated that the El Oro Mining (Southern) portion of the San Rafael vein hosts an in situ mineral resource of 6.89 million tonnes grading 3.44 g/t gold and 44.00 g/t silver containing 760,000 ounces of gold and 9,750,000 ounces of silver. This in situ mineral resource is contained within pillars, areas not mined; and stope/backfill material in the old workings.

The historic estimate was based on an extensive assessment of historic El Oro Mining mine records including a review of 2,600, 2 m interval mine level plans with gold and silver assay grades, sections and production documentation. The block model uses 2 m blocks with an area of influence of 2 m.

In 1993, Hillsborough, in a joint venture with Goldcorp Mexico, re-evaluated the historic resource calculation and concluded that it was sound and warranted follow-up work. Eight diamond drill holes over a strike length of 1 km were completed by Hillsborough to assess the reliability of the resource estimate. Gold and silver grades obtained from drilling confirmed the grade estimates presented in the 1992 Goldcorp Mexico resource estimate. Drilling also confirmed estimates that only 50 to 60 percent of the actual vein had been mined out. The area of mine workings assessed by Goldcorp Mexico to create the historic resource estimate (El Oro Mining section only) represents approximately 40% of the entire amount of workings on the San Rafael vein.

The positive, probable and potential categories of the 1992 mineral resource estimate by Goldcorp Mexico are not 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 Goldcorp Mexico report categorizes the resource estimate as:

2,625,218 tonnes-positive (3 sides with sample data)  
1,763,402 tonnes-probable (2 sides with sample data)  
2,500,000 tonnes-potential (estimated from sample sections)  
6,888,620 tonnes-total in situ material grading 3.44 g/t gold and 44.00 g/t silver

This historic resource estimate was not completed by a qualified person, as defined by NI 43-101.

Other historic resource estimates prior to the 1992 Goldcorp Mexico estimate are being assessed by the Company. One of the first historic attempts to calculate a mineral inventory in the San Rafael mine was made as early as 1937 by a government commission to assess the assets of the company Los Dos Estrellas before handing over mining to the newly formed Mining Cooperative. A comprehensive re-sampling of underground workings to confirm reported grades by the company was considered but due to the high assay costs a limited amount was completed to confirm grades in both the in situ vein material as well as mine backfill. The calculation was only completed to a rough estimate level and combines estimates of in situ material with stope fill material to give a total of 12,324,394 tonnes grading 2.13 g/t gold and 67.40 g/t silver.

An historic 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) was estimated for the San Rafael vein by Goldcorp Mexico and published in company reports in 1972. Goldcorp Mexico calculated resources separately for 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.

In 1977 and 1978, MMM completed a historic mineral resource estimate of in situ and mine fill material with grade ranges. This historic resource did not take into consideration geological concepts and is not considered reliable.

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 production.

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

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

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

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

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

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

### **Recommendations**

A proposed budget of approximately US\$525,000 is proposed and should include a full compilation of all historic information including the most recent work by Candente Gold Corp. in 2010 and 2011 as follows:

- 3D modeling of: all underground workings, drill holes and surface pits; grade for Au g/t, Ag g/t, Hg ppb and any other metals proven to be useful; the Somera Tuff unconformity; the strike and dip of known veins and vein segments; the known high- and low-angle faults; known alteration boundaries; unique sedimentary horizons that may be more amenable to mineralization (coarser grained or more calcareous) or due to competency contrasts with an objective to gain an understanding of all grade controls including: structural, breccia-hosted, lithologic controlled and intensely leached portions of the vein.
- Fluid inclusion study coupled with the characterization of known and unique vein segments via “a vein intercept study” to include: metal ratios; metal contents; vein textures; vein mineralogy sulphide contents; vein mineralogy; alteration; and gangue mineralogy; pre- and post-mineral faults and any other information that can aid in paleo-depth assessment of each of the various veins and vein segments intersected to date. Consideration of known low angle penetrative fault features versus high angle normal features should be carefully considered.
- Ore shoot targeting for future drilling

### **PERUVIAN PROPERTIES**

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

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

## **LUNAHUANA**

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

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

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

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

## **TRES MARIAS**

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

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

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

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

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

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

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

## **DIVIDENDS**

The Company has not declared nor paid dividends on its Common Shares since its inception. There are no restrictions in the Company's articles that limits its ability to declare or pay dividends on the 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, 2012, the end of the Company's most recent fiscal year, 61,176,760 Common Shares, 3,476,000 options to purchase Common Shares and 5,226,350 warrants to purchase Common Shares were issued and outstanding.

As of June 25, 2012, the date of this AIF, 62,189,760 Common Shares, 3,350,500 options to purchase Common Shares and 5,226,350 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.

## **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, 2011 to March 31, 2012:

Month	High (\$)	Low (\$)	Close (\$)	Average Daily Volume	Average Daily Volume
April 2011	0.80	0.69	0.69	102,319	2,046,379
May 2011	0.73	0.57	0.60	58,910	1,237,111
June 2011	0.60	0.50	0.52	41,620	915,629
July 2011	0.59	0.51	0.51	39,305	746,790
August 2011	0.52	0.425	0.46	39,230	863,049
September 2011	0.52	0.32	0.33	84,992	1,784,838
October 2011	0.35	0.245	0.315	80,375	1,527,116
November 2011	0.32	0.12	0.225	65,644	1,247,227
December 2011	0.25	0.19	0.235	84,563	1,860,384
January 2012	0.315	0.29	0.315	42,657	767,830
February 2012	0.35	0.27	0.27	54,965	1,099,295
March 2012	0.27	0.22	0.25	21,753	456,809

The price of the Company's Common Shares on the TSX at the close of the business on March 30, 2012 was CAD\$0.255 per share and on June 25, 2012 was CAD\$0.18 per share.

#### PRIOR SALES

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

On May 25, 2011, the Company granted a total of 230,000 stock options at CAD\$0.65 to employees and consultants.

During the most recently completed financial year, a total of 55,000 subscribers warrants and 30,713 finders warrants were exercised at CAD\$0.60.

#### ESCROWED SECURITIES

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

#### DIRECTORS AND OFFICERS

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

Name, Position and Province/State and Country of Residence <sup>(1)</sup>	Principal Occupation During the Past Five Years	Period of Service as an Officer or Director	Approx. no. of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised <sup>(5)</sup>
<b>Joanne C. Freeze, P.Geo</b> CEO, President & Director British Columbia, Canada	Professional Geologist registered with the Association of Professional Engineers and Geoscientists of B.C.. Director, President and CEO of the Company since April 2009. Director & CEO of Candente Copper since July 1997. Director and CEO of Cobriza Metals Corp. since May 2011.	Director, CEO and President since April 2009	752,352

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>Dr. Peter K.M. Megaw, CPG</b> <sup>(3)</sup> Independent Director Arizona, U.S.A.	Certified Professional Geologist by the American Institute of Professional Geologists and Arizona Registered Geologists. Independent Director of the Company since May 2009. Director of MAG silver since 2006. One of the founding principals and President of IMDEX Inc. since 1988.	Independent Director since May 2009	161,400
<b>Andrew L. Smith, P.Geo</b> <sup>(2)(3)</sup> Independent Director British Columbia, Canada	Professional Geologist, registered with the Association of Professional Engineers and Geoscientists of B.C.. Independent Director of the Company since April 2009. Co-founder and Chairman of True North Gems Inc. since 2001. President and CEO of Canaco Resources Inc. since 2004.	Independent Director since April 2009	40,000
<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>Larry D. Kornze, P.Eng.</b> <sup>(2)</sup> Independent Director Idaho, U.S.A.	Professional Engineer and Independent Director of the Company since May 2009.	Independent Director since May 2009	215,000
<b>Sean I. Waller, P.Eng.</b> Vice-President British Columbia, Canada	Professional Engineer registered with the Association of Professional Engineers and Geoscientists of B.C.. Vice President of the Company since May 2009. Vice President for Candente Copper since July 2009. He was Vice-President Development for Candente Copper from August 2008 until July 2009. Was Vice President of AMEC from August 2004 to August 2008.	Vice-President since May 2009	53,500
<b>Aurora Davidson B.Sc., CGA</b> CFO British Columbia, Canada	Certified General Accountant. Chief Financial Officer to mineral exploration and mining companies.	CFO since May 2009	Nil
<b>John P. Foulkes, B.Sc. (Geol), B.Ed.</b> VP Corporate Development British Columbia, Canada	Geologist. VP Corporate Development for the Company since January 2010. Also the VP Corporate Development for Candente Copper since February 2010 and for Cobriza Metals Corp. since August 2011. Was Manager of Corporate Development for Platinum Group Metals Ltd. from March 2003 until October 2008.	VP Corporate Development since January 2010	15,000

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>Maria Eugenia (Lola) Montagne</b> Corporate Secretary and Treasurer British Columbia, Canada	Corporate Secretary and Treasurer of the Company since May 2009. Also Corporate Secretary and Treasurer for Candente Copper since July 2002 and for Cobriza Metals Corp. since May 2011.	Corporate Secretary and Treasurer since May 2009	36,550

Notes:

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

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

As of June 25, 2012, the date of this AIF, the directors and officers of the Company, as a group, beneficially hold a total of 1,326,002 Common Shares, directly or indirectly, representing 2.13% of the issued and outstanding Common Shares (62,189,760).

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

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

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

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

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

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

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

### **CONFLICTS OF INTEREST**

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

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

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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

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

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

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

During the financial year ended March 31, 2012, a total of US\$117,354 for geological consulting services rendered was paid or accrued to officers or directors or to private companies associated with directors and officers of the Company. These amounts are included as a component of exploration costs. During the year ended March 31, 2012, a total of US\$132,494 was paid as salaries to various officers of the Company and US\$48,416 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, 2012 is US\$17,634 owed by the Company to certain officers and directors of the Company for services rendered, reimbursement of expenses and directors' fees.



At March 31, 2012, a director and officer of the Company served as a director and officer of Candente Copper and three of the Company's officers served as officers of Candente Copper. During the year ended March 31, 2012, 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, 2012, a total of US\$161,700 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, 2011 (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 Agreement and the Casua Agreement 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 & Touche LLP ("Deloitte"), of Suite 2800-1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P4, are the auditors for the Company. Deloitte audited the Audited Consolidated Financial Statements of the Company for the year ended March 31, 2012 and incorporated by reference into this AIF. Deloitte is independent from the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accounts of British Columbia;
- (b) Mark Pryor, B.Sc (Hons.) FGS, FSEG, Pr.Sci.Nat, former Vice-President Exploration of the Company, is a qualified person as defined in NI 43-101. When Mr. Pryor was involved in preparing the Technical Report filed on SEDAR on March 14, 2011 he 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, Mark Pryor when or after he 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., Michael Thicke P.Geo. and Sean I. Waller, P.Eng. of the Company is 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 25, 2012, the date of this AIF, Ms. Freeze holds, directly or indirectly, 752,352 Common Shares and 545,000 stock options of the Company; and
- (ii) As of June 25, 2012, the date hereof, Mr. Waller holds, directly or indirectly, 53,500 Common Shares and 400,000 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, 2012 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
Andrew L. Smith	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.

**Andrew L. Smith.** Mr. Smith has been in the mining business for more than 30 years and at the senior management level of public companies for in excess of 20 years. He is an economic geologist familiar with the discovery, evaluation and feasibility of mining projects and understands the financial statements and financial issues affecting mineral exploration and mining companies.

**Reliance on Certain Exemptions**

At no time since April 1, 2011, 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, 2011, 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, 2012 <sup>(2)</sup>	CAD\$48,000 <sup>(1)</sup>	Nil	Nil	Nil
March 31, 2011 <sup>(3)</sup>	CAD\$47,700	Nil	Nil	\$34,000

<sup>(1)</sup> Estimated, final billing pending.

<sup>(2)</sup> Paid to the Company’s predecessor auditor, Deloitte & Touche LLP.

<sup>(3)</sup> Paid to D+H Group LLP, the Company’s current auditor.