CANDENTE GOLD CORP.

Condensed Consolidated Interim Financial Statements
Three months ended June 30, 2011

(UNAUDITED)

(Expressed in U.S. Dollars)

NOTICE

The accompanying unaudited condensed consolidated interim financial statements of Candente Gold Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CANDENTE GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
UNAUDITED
(Expressed in U.S. Dollars)

	June 30, 2011 $	March 31, 2011 (Note 9) $	April 1, 2010 (Note 9) $
ASSETS			
Current			
Cash and cash equivalents	6,539,819	8,643,417	6,944,999
Trade and other receivables	479,557	446,558	101,323
Prepaid expenses and deposits	109,669	79,832	312,851
Total current assets	7,129,045	9,169,807	7,359,173
Non-current assets			
Equipment	90,087	97,889	12,246
Value-added tax receivable (Note 5)	41,341	28,899	4,562
Unproven mineral interests (Note 4)	11,482,815	11,081,804	10,006,326
TOTAL ASSETS	18,743,288	20,378,399	17,382,307
LIABILITIES			
Current			
Trade and other payables	728,845	453,515	206,828
Promissory note payable	-	977,165	1,275,510
TOTAL LIABILITIES	728,845	1,430,680	1,482,338
EQUITY			
Common shares (Note 6)	22,331,597	21,938,365	15,491,030
Other reserves (Note 6)	4,629,864	4,589,596	2,028,439
Deficit	(9,166,394)	(7,859,129)	(1,619,500)
Accumulated other comprehensive income	219,376	278,887	-
TOTAL EQUITY	18,014,443	18,947,719	15,899,969
TOTAL LIABILITIES AND EQUITY	18,743,288	20,378,399	17,382,307

Nature of operations (Note 1)

"Andres Milla" — Director

"Larry Kornze" — Director

CANDENTE GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
UNAUDITED
(Expressed in U.S. Dollars)

	Three months ended June 30, 2011	2010 (Note 9)
GENERAL AND ADMINISTRATIVE		
Depreciation	$ 2,998	$ 530
Audit and tax advisory	(1,715)	4,182
Bank charges	2,154	1,950
Corporate development	13,671	74,888
Legal fees	13,814	9,523
Management fees, salaries and benefits	94,949	82,933
Office, rent and miscellaneous	41,685	36,158
Travel and accommodations	3,058	22,777
Regulatory and filing fees	16,648	20,524
Shareholder communications	11,080	7,826
Share-based payment expense (Note 8)	39,214	559,650
Interest and other income	(23,025)	(9,760)
Foreign exchange gain	(23,805)	(3,350)
	190,726	807,831
EXPLORATION		
Depreciation	4,568	1,800
Assays	21,708	7,601
Administration	135,346	144,396
Camp, field supplies and travel	54,729	88,082
Drilling	550,252	208,772
Equipment maintenance and rental	39,746	2,496
Field support and personnel	161,466	22,405
Geological and geophysical	148,724	169,728
	1,116,539	645,280
Net loss	$ (1,307,265)	$ (1,453,111)
Other comprehensive loss		
Cumulative translation adjustment	(59,511)	(158,413)
Comprehensive loss	$ (1,366,776)	$ (1,611,524)
Loss per common share:		
Basic and diluted	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding:		
Basic and diluted	61,085,115	49,668,986

See accompanying notes to the condensed consolidated interim financial statements

CANDENTE GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
UNAUDITED
(Expressed in U.S. Dollars)

	Common Shares Number of shares	Amount	Other reserves	Deficit during the exploration stage	Other Comprehensive Income (Loss)	Total Shareholders Equity
Balance on April 1, 2010 (Note 9)	49,578,327	15,491,030	2,028,439	(1,619,500)	-	15,899,969
Common shares issued for:						
Mineral right interests acquisition	250,000	118,472	-	-	-	118,472
Exercise of warrants	10,000	7,255	(1,459)	-	-	5,796
Share-based compensation expense	-	-	559,650	-	-	559,650
Net loss	-	-	-	(1,453,111)	-	(1,453,111)
Cumulative translation adjustment	-	-	-	-	(158,413)	(158,413)
Balance on June 30, 2010 (Note 9)	49,838,327	15,616,757	2,586,630	(3,072,611)	(158,413)	14,972,363
Balance on April 1, 2011 (Note 9)	60,644,547	21,938,365	4,589,596	(7,859,129)	278,887	18,947,719
Common shares issued for:						
Mineral right interests acquisition	30,000	25,000	-	-	-	25,000
Financing	400,000	296,754	14,428			311,182
Exercise of warrants	85,713	66,762	(13,374)	-	-	53,388
Exercise of share options	4,500	4,716	-	-	-	4,716
Options vested	-	-	39,214	-	-	39,214
Net loss	-	-	-	(1,307,265)	-	(1,307,265)
Cumulative translation adjustment	-	-	-	-	(59,511)	(59,511)
Balance on June 30, 2011	61,164,760	22,331,597	4,629,864	(9,166,394)	219,376	18,014,443

See accompanying notes to the condensed consolidated interim financial statements.

CANDENTE GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in U.S. Dollars)

	Three months ended June 30,	
CASH PROVIDED BY (USED IN):	2011	2010
		(Note 9)
	$	$
OPERATING ACTIVITIES		
Net loss	(1,307,265)	(1,453,111)
Items not affecting cash:		
Amortization	7,566	2,330
Share-based payments	39,214	559,650
Changes in non-cash working capital items:		
Decrease in trade and other receivables	(32,999)	(50,486)
Decrease (increase) in prepaid expenses and deposits	(29,837)	(19,816)
Increase in trade and other payables	275,330	241,197
Cash used in operating activities	(1,047,991)	(720,236)
INVESTING ACTIVITIES		
Purchase of equipment	-	(35,497)
Value added tax paid	(12,442)	(1,511)
Acquisition of mineral interests	(378,719)	(287,279)
Cash used in investing activities	(391,161)	(324,287)
FINANCING ACTIVITIES		
Issuance of common shares for:		
Sale of common shares	311,182	-
Exercise of warrants	53,388	5,796
Exercise of stock options	4,716	-
Promissory note repayment	(977,165)	(333,524)
Cash used in financing activities	(607,879)	(327,728)
Net change in cash and cash equivalents	(2,047,031)	(1,372,251)
Effect of exchange rate changes on cash	(56,567)	(191,871)
Cash and cash equivalents at beginning of period	8,643,417	6,944,999
Cash and cash equivalents at end of period (Note 8)	6,539,819	5,380,877

Supplemental cash flow information (Note 8)

See accompanying notes to the condensed consolidated interim financial statements

1. CORPORATE INFORMATION

Candente Gold Corp. ("Candente Gold") was incorporated under the Business Corporations Act (British Columbia) and established as a legal entity on April 24, 2009. These condensed consolidated financial statements include the accounts of Candente Gold and of its wholly-owned subsidiaries (collectively, the "Company): Candente Gold Peru S.A.C., Candente Mexico Resource Corp., Canaco Resources (BC) Inc. and Minera CCM, S.A. de C.V.

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

The Company is in the process of exploring its mineral properties in Mexico and Peru and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The measurement of certain assets and liabilities is dependent on future events, therefore the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. The success of the Company's exploration and development of its mineral interests is influenced by significant financial risks, legal and political risks, commodity prices, and the ability of the Company to discover economically recoverable reserves and to bring such reserves into future profitable production. The amounts shown for mineral interests represent net costs incurred to date less amounts written-off and do not necessarily represent present or future values. Such estimates have been made using careful judgments and conform to the significant accounting policies summarized below.

As of June 30, 2011, the Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses of $9,166,394 (March 31, 2011 - $7,859,129); (April 1, 2011: $1,619,500) and expects to incur further losses in the development of its business, all of which cast substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company obtaining additional equity and/or debt financing and/or new strategic partners and obtaining the necessary permits in connection with the development of its properties in Southeastern Europe. Failure to obtain future financing and/or strategic partnerships and the necessary permits could result in the delay or indefinite postponement of further exploration of the Company's properties and may result in the Company not meeting any of its operational and capital requirements.

The Company's condensed consolidated financial statements do not include any adjustments to the recoverability and classification or recorded assets, or the amount or classification of liabilities, all of which would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

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

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

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

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

These consolidated interim financial statements were authorized for issue by the board of directors on September 13, 2011.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared using the accounting policies the Company expects to adopt on its consolidated financial statements for the year ending March 31, 2012.

These are the Company's first IFRS interim condensed consolidated financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending March 31, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The Company has exceeded the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. However, these condensed consolidated interim financial statements do not include all the necessary annual disclosure in accordance with IFRS. In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's interim consolidated financial statements under IFRS as the reader will be able rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended March 31, 2011 and the rules of first-time adoption as set out in IFRS 1, First Time Adoption of IFRS. In preparing the Company's first IFRS financial statements, the transition rules have been applied to the amounts previously reported under Canadian GAAP.

(b) Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The comparative figures presented in these consolidated financial statements are in accordance with IFRS and have not been audited.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries.

(c) Adoption of new and revised standards and interpretations

The IASB has issued the following standards which have not yet been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

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

This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value.

IFRS 10 – Consolidation

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

IFRS 11 - Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 13 - Fair Value Measurement

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

Amendments to Other Standards

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

Interest income

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

Foreign currency translation

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

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

Equipment

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

PPE items are depreciated over their estimated useful lives on a straight-line basis over 3 to 10 years. Leasehold improvements are depreciated on a straight-line basis over the term of lease contracts.

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

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

Income taxes

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

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

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

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

Deferred income tax relating to items recognized directly in equity or other comprehensive income (“OCI”) is recognized in equity or OCI and not in the statement of comprehensive income.

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

Share-based payments

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

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

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

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

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

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

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

Financial assets

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

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

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

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

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

Financial liabilities

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

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

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

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

Related parties

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

Business combinations

Business combinations that occurred prior to April 1, 2010 were not accounted for in accordance with IFRS 3 Business Combination since the Company elected to use the IFRS 1 First-time Adoption of International Financial Reporting Standards exemption.

Acquisitions of subsidiaries and businesses on, or after, April 1, 2010 are accounted for using the acquisition method. The cost of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition□related costs incurred for the business combination are expensed. The acquiree’s identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

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

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

Borrowing costs

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

Significant accounting estimates and assumptions

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to capital assets, depreciation, recoverability of accounts receivable, valuation of deferred income tax amounts, impairment testing, calculation of share-based payments and the determination of environmental obligations.

The most significant judgements relate to recoverability of capitalized amounts, recognition of deferred tax assets and liabilities, functional currency and the determination of the economic viability of a project.

Provisions

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

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

Unproven mineral right interests

All acquisition costs are capitalized into intangible assets until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property, or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral rights on a periodic basis and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. Management's assessment of the mineral right's fair value is also based upon a review of other mineral right transactions that have occurred in the same geographic area as that of the rights under review.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the costs of the related mineral rights, with any excess being included in operations. No option payments were received during the three months ended June 30, 2011 and 2010.

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

Exploration expenses

The Company expenses all costs of exploring and evaluating unproven mineral interests.

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

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

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

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

Available for sale

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

Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Cash and cash equivalents

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

Provisions for site restoration

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

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

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the treasury stock method is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period. During the three months ended June 30, 2011 and 2010 all the outstanding stock options and warrants were anti-dilutive.

Expressed in U.S. Dollars, Unless Otherwise Noted

4. UNPROVEN MINERAL INTERESTS

At June 30, 2011, unproven mineral interests were comprised of various early-stage exploration interests in mineral claims and mining concessions located in Mexico and Peru. These interests are held by the Company, or through option agreements under which the Company, directly or through a joint venture arrangement, has a right to acquire an interest in mineral properties.

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

The following are the capitalized mineral property acquisition costs:

	El Oro	Peruvian properties	Total
	$	$	$
Balance, April 30, 2010	6,706,836	3,299,490	10,006,326
Acquisition costs and payments	121,572	287,279	408,851
Exchange differences	(5,075)	-	(5,075)
Balance, June 30, 2010	6,823,333	3,586,769	10,410,102
Balance, March 31, 2011	7,465,374	3,616,430	11,081,804
Acquisition costs and payments	44,754	358,965	403,719
Exchange differences	(2,708)	-	(2,708)
Balance, June 30, 2011	7,507,420	3,975,395	11,482,815

Transfer of Properties

On April 24, 2009, Candente Copper Corp. (“Candente Copper”) and Canaco Resources Inc. (“Canaco”) incorporated Candente Gold and on April 30, 2009, Candente Copper and Canaco completed the transfer to Candente Gold of their respective 50% interests in Minera CCM, S.A. de C.V. ("CCM"), the Mexican company that holds an option on the El Oro gold property (“El Oro”) in Mexico (the "Option").

As consideration for the transfer of the El Oro interests, Candente Gold issued 5 million common shares and a promissory note to each of Candente Copper and Canaco. Each promissory note had a principal amount of Cdn$1,300,000, payable in cash or convertible into units of Candente Gold, based on the same terms and conditions as the private placement financing completed by Candente Gold in the quarter ended December 31, 2009. On December 31, 2009, Candente Copper converted its Cdn$1,300,000 promissory note into 3,250,000 shares and 1,625,000 warrants of the Company. The warrants have an exercise price of Cdn$0.60 per common share to January 4, 2012. Canaco advised the Company that it would not convert the note. The note was repaid in two instalments: Cdn$350,000 paid in the quarter ended June 30, 2010 and Cdn$950,000 paid in the quarter ended June 30, 2011.

The Company recorded the transfer of the El Oro Property, as follows:

Assets acquired:	$
Cash	22,247
Accounts receivable	22,356
Equipment, net	9,226
Mineral properties [1]	6,608,720
Liabilities assumed:	
Accounts payable	(4,817)
	6,657,732
Consideration:	
Promissory notes	2,147,837
Shares issued	4,509,895
	6,657,732

[1] Fair value of the El Oro property (equivalent to Cdn$8,000,000 at the time of transfer)

Expressed in U.S. Dollars, Unless Otherwise Noted

In addition, Candente Copper transferred its Peruvian gold-silver properties (the "Properties") to Candente Gold in the quarter ending December 31, 2009 and on January 6, 2010 the Company issued 13,500,000 common shares to Candente Copper in return for the transfer of the Properties. Other consideration for the exchange of the Properties included the granting by the Company of a copper net smelter return royalty to Candente Copper. In addition, Candente Gold agreed to issue to Candente Copper an additional 10,000,000 of its common shares once a minimum of $5 million has been spent cumulatively by Candente Gold on the Properties.

The Company recorded the transfer of the Peruvian properties, as follows:

Assets acquired:	$
Mineral properties [2]	3,299,490
	3,299,490
Consideration:	
Cash	241.240
Shares issued	3.058.250
	3.299.490

[2] Fair value of the Peruvian properties (equivalent to Cdn$3,500,000 at the time of transfer)

El Oro

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

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

- Commit to issue to Luismin 250,000 Candente Gold shares on or before November 30, 2009 and 250,000 Candente Gold shares on or before May 30, 2010 (both completed);
- Be required to issue to Luismin 250,000 Candente Gold shares on or before November 30, 2010 (completed) and 250,000 Candente Gold shares on or before November 30, 2011 (completed);
- Commit to cumulative exploration expenditures totaling $2,500,000 to be completed on or before May 30, 2010 (completed);
- Be required to make an additional $2,500,000 in exploration expenditures on or before November 30, 2011 (completed);

Accordingly, during the year ended March 31, 2011, the Company completed the requirements to earn an undivided 50% interest in the El Oro project.

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

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

5. VALUED ADDED TAX CREDITS

Expenses incurred by the Company in Peru, including exploration expenses, are subject to Peruvian Value Added Tax ("VAT").

The VAT is not currently refundable to the Company, but can be used in the future to offset amounts due to the Peruvian taxation authorities by the Company resulting from VAT charged to clients on future sales. The VAT in Peru has been classified as a non-current asset. As at June 30, 2011, VAT tax credits in Peru were $41,341 (March 31, 2011: $28,899); (April 1, 2010: $4,562).

6. CAPITAL AND RESERVES

Capital

At June 30, 2011, Candente Gold's authorized share capital consisted of an unlimited number of common shares and an unlimited number of preferred shares, all without par value. All issued common shares are fully paid.

During the three months ended June 30, 2011, the Underwriters who participated in the March 30, 2011 financing described below exercised their over-allotment option, raising additional gross proceeds for the Company of $334,833 (Cdn$320,000) (the "Over-Allotment"). The Company issued 400,000 units (the "Units") at a price of Cdn$0.80 per Unit, with each Unit consisting of one common share of the Company and one-half of one common share purchase warrant entitling the holder thereof to acquire one common share of the Company at a price of Cdn$1.10 until March 30, 2013. The Underwriters received a cash commission equal to 6.75% of the gross proceeds received from the over-allotment and warrants entitling them to acquire a total of 24,000 common shares of the Company at a price of Cdn$0.86 per common share until March 30, 2013. The Agents' Warrants issued as finders' fees were valued by the Company at $2,557.

Also during the three months ended June 30, 2011, the Company issued 85,713 shares on exercise of share purchase warrants, for proceeds of $53,388, and issued 4,500 shares on exercise of share purchase options, for proceeds of $4,716.

On March 30, 2011, the Company completed a bought-deal short form prospectus financing (the "Financing") for gross proceeds of $6,659,154 (Cdn$6,500,000). In connection with the Financing, the Company issued 8,125,000 units (the "Units") at a price of Cdn$0.80 per Unit. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder thereof to acquire one common share of the Company at a price of Cdn$1.10 to March 30, 2013. The Financing was led by a group of Underwriters, who also exercised a portion of the over-allotment option to acquire an additional 716,250 Units and 51,250 Warrants for additional gross proceeds of $590,180 (Cdn$576,075). In connection with their services, the Underwriters received a cash commission equal to 6.75% of the gross proceeds raised in the Financing and warrants entitling the Underwriters to purchase such number of common shares of the Company in an amount equal to 6% of the number of Units issued at a price of Cdn$0.86 per common share for a period of 2 years, to March 30, 2013. The Agents' Warrants issued as finders' fees were valued by the Company at $198,548.

During the year ended March 31, 2011, the Company issued 1,199,220 shares on exercise of share purchase warrants, for proceeds of $721,120, and issued 245,750 shares on exercise of share purchase options, for proceeds of $176,260.

Share Options

Reserves consist of the accumulated fair value of common share options and share purchase warrants recognized as share-based payments.

Expressed in U.S. Dollars, Unless Otherwise Noted

Candente Gold has an incentive share option plan (the "Plan"). Under the Plan a total of 10% of Candente Gold's outstanding common shares are reserved for the issuance of share options to directors, officers, employees and consultants. The terms of each option award is fixed by the directors at the time of grant. Share options awarded have a maximum term of five years. Share options vest immediately upon award.

During the three months ended June 30, 2011, the Company granted 230,000 stock options to officers, employees and directors at an exercise price of Cdn$0.65 with an expiry date of May 25, 2016.

In the year ended March 31, 2011, the Company granted to officers, employees and directors 250,000 stock options at an exercise price of Cdn$0.64 with an expiry date of June 15, 2015; 50,000 stock options at an exercise price of Cdn$0.68 with an expiry date of August 11, 2015; 125,000 stock options at an exercise price of Cdn$0.80 with an expiry date of November 2, 2015; 50,000 stock options at an exercise price of Cdn$0.79 with an expiry date of December 22, 2015 and 25,000 stock options at an exercise price of Cdn$1.01 with an expiry date of January 4, 2016.

Share options were awarded during the three months ended June 30, 2011 and the year ended March 31, 2011 as follows:

	Options outstanding	Weighted average exercise price (Cdn$)
Balance on April 1, 2010	3,938,250	0.64
Awarded	500,000	0.72
Exercised	(245,750)	0.60
Expired	(20,000)	0.70
Balance on March 31, 2011	4,172,500	0.65
Awarded	230,000	0.65
Exercised	(4,500)	0.85
Forfeited	(50,000)	0.64
Balance on June 30, 2011	4,348,000	0.65

The weighted average exercise price as at June 30, 2011 for the options awarded and outstanding is Cdn$0.65 (March 31, 2011 - Cdn$0.65) (April 30, 2010 – Cdn$0.64).

The following summarizes information about share options outstanding and exercisable at June 30, 2011:

	Options outstanding			Options exercisable		
Exercise price (Cdn$)	Options Outstanding	Weighted average exercise price (Cdn$)	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price (Cdn$)	Weighted average remaining contractual life (years)
0.33 – 0.53	554,000	0.42	3.14	554,000	0.42	3.14
0.54 – 0.64	2,982,500	0.64	3.66	2,982,500	0.64	3.66
0.65 – 0.74	280,000	0.66	4.76	50,000	0.68	4.11
0.75 – 0.83	375,000	0.80	3.23	293,750	0.80	2.91
0.84 – 1.80	156,500	1.33	1.49	144,000	1.35	1.23
	4,348,000	0.65	3.55	4,024,250	0.65	3.45

Expressed in U.S. Dollars, Unless Otherwise Noted

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

	Three months ended June 30, 2011	Year ended March 31, 2011
Risk-free interest rate	2.05%	2.58%
Estimated volatility	84.96%	90%
Expected life	3.57 years	5 yrs
Estimated forfeiture rate	0%	0%

The weighted average fair value of share options awarded during the quarter ended June 30, 2011, estimated using the Black-Scholes option pricing model was Cdn$0.39 per option. The average fair value of share options awarded during the year ended March 31, 2011, estimated using the Black-Scholes option pricing model, was Cdn$0.47 per option.

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

A share-based compensation cost of Cdn$88,575 for the options granted in the three months ended June 30, 2011 will be amortized over the vesting period, of which Cdn$14,590 was recognized in the three months ended June 30, 2011.

The total share-based compensation calculated for the three months ended June 30, 2011 was $39,214 (three months ended June 30, 2010 - $559,650).

The intrinsic value of outstanding and exercisable share options at June 30, 2011 was Cdn$56,570.

Warrants

The fair value of the broker warrants issued during the three months ended June 30, 2011 was estimated at Cdn$0.10 per warrant at the grant date using the Black-Scholes option pricing model (year ended March 31, 2011: Cdn$0.15). The weighted average assumptions used for the calculation were:

	Three months ended June 30, 2011	Year ended March 31, 2011
Risk-free interest rate	1.86%	1.47%
Estimated volatility	30%	90%
Expected life	2 yrs	2 yrs

Expressed in U.S. Dollars, Unless Otherwise Noted

The following summarizes information about share options outstanding at June 30, 2011:

Number of warrants outstanding as at April 1, 2011	Issued during the period	Number of warrants expired/exercised during the period	Balance of warrants outstanding as at June 30, 2011	Exercise price per warrant (Cdn$)	Expiry date
12,446,287	-	-	12,446,287	0.60	January 14, 2012
4,420,625	-	-	4,420,625	1.10	March 30, 2013
530,475	-	-	530,475	0.86	March 30, 2013
51,250	-	-	51,250	1.10	March 30, 2013
-	200,000	-	200,000	1.10	March 30, 2013
-	24,000	-	24,000	0.86	March 30, 2013
-	-	(85,713)	(85,713)	0.86	January 14, 2012
17,448,637	224,000	(85,713)	17,586,924		

7. SEGMENTED INFORMATION

At June 30, 2011, the Company has one reportable operating segment, being mineral exploration.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

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

	June 30, 2011			
	Mexico	Peru	Canada	Total
Current assets	$ 568,178	$ 19,634	$ 6,541,233	$ 7,129,045
Equipment	62,988	4,481	22,618	90,087
Value-added tax receivable	-	41,341	-	41,341
Unproven mineral interests	7,507,420	3,975,395	-	11,482,815
	$ 8,138,586	$ 4,040,851	$ 6,563,851	$ 18,743,288

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

8. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents consist of:

	June 30, 2010 $	March 31, 2011 $	April 1, 2010 $
Cash	618,353	7,083,740	162,122
Cash equivalents	5,921,466	1,559,677	6,782,877
	6,539,819	8,643,417	6,944,999

The significant non-cash transactions during the three months ended June 30, 2011 were:

a) The Company issued 30,000 shares valued at $25,000 in connection with the Company's obligations with respect to the acquisition of the Causa property in Peru.

b) The Company recorded stock-based compensation of $39,214 calculated using the Black-Scholes pricing model.

c) The Company transferred $13,374 of reserves to common shares on exercise of warrants.

The significant non-cash transactions during the year ended March 31, 2011 were:

a) The Company issued 780,000 common shares valued at $525,701 in connection with the Company's obligations with respect to the El Oro property and for the acquisition of the Causa property in Peru.

b) The Company recorded stock-based compensation of $1,116,534, calculated using the Black-Scholes pricing model.

c) The Company transferred $181,629 of reserves to common shares on exercise of options and warrants.

9. FIRST-TIME ADOPTION OF IFRS

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

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

- Not to restate previous business combinations and the accounting thereof;
- Reset the cumulative translation difference reserve for all foreign operations to zero at the date of transition to IFRS.
- Share-based payments – IFRS 2 Share-based payments encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all outstanding equity instruments granted after November 7, 2002 that had not vested by the transition date,

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

Note 1. Under Canadian GAAP, the accounting for the transfer of properties from Candente Copper and Canaco was a related party transaction and the properties were transferred at their carrying value. Under IFRS there are no special recognition or measurement requirements for related party transactions. Under IFRS the transfer of the properties was re-measured at the fair value of the mineral properties acquired. The impact of the IFRS transition for the acquisition of the El Oro and Peruvian properties was a net increase of $3,094,088 to mineral properties, offset by an increase of $3,146,134 in common shares and a decrease of $52,046 in other reserves.

Note 2. Under Canadian GAAP, the Company and all of its subsidiaries had a U.S. dollar measurement currency. Under IFRS, the functional currency of the parent company is the Canadian dollar. The Company's presentation currency remains the U.S. dollar. The current rate method is required to be applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS and a cumulative translation adjustment on each statement of financial position date.

Note 3. Under Canadian GAAP, the Company recorded stock based payments on a straight-line basis over the vesting period. Under IFRS, the Company records share based payments for each tranche within an award over the vesting period of the corresponding tranche. Under Canadian GAAP, forfeitures of awards were only recognized in the period the forfeiture occurred. Under IFRS, forfeiture estimates are recognized in the period they are estimated.

Reconciliations of statements of financial position

Reconciliations between the Canadian GAAP and IFRS consolidated statements of financial position at April 1, 2010 (date of transition to IFRS), June 30, 2010 and March 31, 2011 are provided below:

CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
AS AT APRIL 1, 2010				
EXPRESSED IN US DOLLARS				
	Canadian GAAP	**Transition Impact**	**Note**	**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents	6,944,999			6,944,999
Trade and other receivables	101,323			101,323
Prepaids and deposits	312,851			312,851
Total current assets	7,359,173			7,359,173
Equipment	12,157	89	2	12,246
Value-added tax receivable	4,562			4,562
Unproven mineral interests	6,908,284	3,098,042	1,2	10,006,326
	14,284,176			17,382,307
LIABILITIES				
Current				
Trade and other payables	206,828			206,828
Promissory note payable	1,275,510			1,275,510
	1,482,338			1,482,338
EQUITY				
Common shares	12,344,896	3,146,134	1	15,491,030
Other reserves	2,080,485	- 52,046	1	2,028,439
Deficit	- 1,623,543	4,043	2	- 1,619,500
	12,801,838			15,899,969
	14,284,176			17,382,307

CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
AS AT JUNE 30, 2010				
EXPRESSED IN US DOLLARS				
		Transition		
	Canadian GAAP	**Impact**	**Note**	**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents	5,380,877			5,380,877
Trade and other receivables	151,809			151,809
Prepaids and deposits	332,667			332,667
Total current assets	5,865,353			5,865,353
Equipment	45,324	- 321	2	45,003
Value-added tax receivable	6,073			6,073
Unproven mineral interests	7,314,035	3,096,067	1, 2	10,410,102
	13,230,785			16,326,531
LIABILITIES				
Current				
Accounts payable and accrued liabilities	448,025			448,025
Promissory note payable	906,143			906,143
	1,354,168			1,354,168
EQUITY				
Common shares	12,470,623	3,146,134	1	15,616,757
Other reserves	2,508,365	78,265	1,3	2,586,630
Accumulated other comprehensive loss	-	- 158,413	2	- 158,413
Deficit	- 3,102,371	29,760	2,3	- 3,072,611
	11,876,617			14,972,363
	13,230,785			16,326,531

CANDENTE GOLD CORP.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011
EXPRESSED IN US DOLLARS

	Canadian GAAP	Transition Impact	Note	IFRS
ASSETS				
Current assets				
Cash and cash equivalents	8,643,417			8,643,417
Trade and other receivables	446,558			446,558
Prepaids and deposits	79,832			79,832
Total current assets	9,169,807			9,169,807
Equipment	96,767	1,122	2	97,889
Value-added tax receivable	28,899			28,899
Unproven mineral interests	7,962,459	3,119,345	1,2	11,081,804
	17,257,932			20,378,399
LIABILITIES				
Current				
Accounts payable and accrued liabilities	453,515			453,515
Promissory note payable	977,165			977,165
	1,430,680			1,430,680
EQUITY				
Common shares	18,792,231	3,146,134	1	21,938,365
Other reserves	4,956,307	- 366,711	1,3	4,589,596
Accumulated other comprehensive loss	-	278,887	2	278,887
Deficit	- 7,921,286	62,157	2,3	- 7,859,129
	15,827,252			18,947,719
	17,257,932			20,378,399

Reconciliations of total comprehensive income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the period ended June 30, 2010 and year ended March 31, 2011 are provided below.

CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS				
THREE MONTHS ENDED JUNE 30, 2010				
EXPRESSED IN US DOLLARS				
	Canadian GAAP	**Transition Impact**	**Note**	**IFRS**
General and Administrative				
Depreciation	530			530
Audit and tax advisory	4,182			4,182
Bank charges and interest	1,950			1,950
Corporate development	74,888			74,888
Legal	9,523			9,523
Management and office salaries and benefits	82,933			82,933
Office, rent and miscellaneous	36,158			36,158
Travel and accomodations	22,777			22,777
Regulatory and filing fees	20,524			20,524
Shareholder communications	7,826			7,826
Share-based compensation expense	429,339	130,311	3	559,650
Interest and other income	- 9,760			- 9,760
Loss (gain) on foreign exchange	152,678	- 156,028	2	- 3,350
	- 833,548			- 807,831
Exploration				
Depreciation	1,800			1,800
Assays	7,601			7,601
Administration	144,396			144,396
Camp, field supplies and travel	88,082			88,082
Drilling	208,772			208,772
Equipment maintenance and rental	2,496			2,496
Field support and personnel	22,405			22,405
Geological and geophysical	169,728			169,728
	- 645,280			- 645,280
Net Loss	- 1,478,828			- 1,453,111
Other comprehensive loss				
Cumulative translation adjustment	-	- 158,413	2	- 158,413
	-			- 158,413
Comprehensive loss	- 1,478,828			- 1,611,524

CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS				
YEAR ENDED MARCH 31, 2011				
EXPRESSED IN US DOLLARS				
	Canadian GAAP	**Transition Impact**	**Note**	**IFRS**
General and Administrative				
Depreciation	10,674			10,674
Audit and tax advisory	55,854			55,854
Bank charges and interest	8,439			8,439
Corporate development	116,611			116,611
Legal	39,223			39,223
Management and office salaries and benefits	279,117			279,117
Office, rent and miscellaneous	160,733			160,733
Travel and accomodations	42,187			42,187
Regulatory and filing fees	105,289			105,289
Shareholder communications	44,251			44,251
Share-based compensation expense	1,431,199	- 314,665	3	1,116,534
Interest and other income	- 43,903			- 43,903
Loss (gain) on foreign exchange	- 43,163	256,551	2	213,388
	- 2,206,511			- 2,148,397
Exploration				
Depreciation	13,587			13,587
Assays	105,977			105,977
Administration	716,467			716,467
Camp, field supplies and travel	576,779			576,779
Drilling	1,911,906			1,911,906
Equipment maintenance and rental	103,105			103,105
Field support and personnel	90,917			90,917
Geological and geophysical	572,494			572,494
	- 4,091,232			- 4,091,232
Net Loss	- 6,297,743			- 6,239,629
Other comprehensive income				
Cumulative translation adjustment	-		2	278,887
	-			278,887
Comprehensive loss	- 6,297,743			- 5,960,742

Statement of cash flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents. There was no change to cash (used in) provided by investing and financing activities.