

CANDENTE GOLD CORP.

Condensed Consolidated Interim Financial Statements
Quarter and Six Months Ended September 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)

	September 30, 2011	March 31, 2011
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	4,308,159	8,643,417
Trade and other receivables	590,852	446,558
Prepaid expenses and deposits	94,777	79,832
Total current assets	4,993,788	9,169,807
Non-current assets		
Equipment	105,284	97,889
Value-added tax receivable (Note 4)	44,817	28,899
Unproven mineral interests (Note 3)	11,449,418	11,081,804
TOTAL ASSETS	16,593,307	20,378,399
LIABILITIES		
Current		
Trade and other payables	546,520	453,515
Promissory note payable	-	977,165
TOTAL LIABILITIES	546,520	1,430,680
EQUITY		
Common shares (Note 5)	22,331,597	21,938,365
Other reserves (Note 5)	4,680,028	4,589,596
Deficit	(10,511,322)	(7,859,129)
Accumulated other comprehensive income	(453,516)	278,887
TOTAL EQUITY	16,046,787	18,947,719
TOTAL LIABILITIES AND EQUITY	16,593,307	20,378,399

Nature of operations (Note 1)

"Andres Milla"

Director

"Larry Kornze"

Director

See accompanying notes to the condensed consolidated interim financial statements

CANDENTE GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

UNAUDITED

(Expressed in U.S. Dollars)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010 (Note 8)	2011	2010 (Note 8)
	\$	\$	\$	\$
GENERAL AND ADMINISTRATIVE				
Depreciation	2,967	530	5,965	1,060
Audit and tax advisory	-	612	(1,715)	4,794
Bank charges	1,762	1,657	3,916	3,607
Corporate development	13,453	11,539	27,124	86,427
Legal fees	21,912	11,596	35,726	21,119
Management fees, salaries and benefits	96,215	58,134	191,164	141,067
Office, rent and miscellaneous	50,042	36,688	91,727	72,846
Travel and accommodations	23,796	727	26,854	23,504
Regulatory and filing fees	31,554	44,641	48,202	65,165
Shareholder communications	12,479	13,118	23,559	20,944
Share-based payment expense (Note 5)	50,166	343,796	89,380	903,446
Interest and other income	(15,169)	(15,745)	(38,194)	(25,505)
Foreign exchange gain	(353,981)	32,209	(377,786)	28,859
	64,804	(539,502)	(125,922)	(1,347,333)
EXPLORATION				
Depreciation	4,568	2,311	9,136	4,111
Assays	51,909	42,233	73,617	49,834
Administration	95,933	166,439	231,279	310,835
Camp, field supplies and travel	52,759	346,874	107,488	434,956
Drilling	861,425	341,049	1,411,677	549,821
Equipment maintenance and rental	23,500	11,096	63,246	13,592
Field support and personnel	139,165	26,074	300,631	48,479
Geological and geophysical	180,473	133,907	329,197	303,635
	(1,409,732)	(1,069,983)	(2,526,271)	(1,715,263)
Net loss	(1,344,928)	(1,609,485)	(2,652,193)	(3,062,596)
Other comprehensive loss				
Cumulative translation adjustment	(639,495)	96,703	(699,006)	(61,710)
	(639,495)	96,703	(699,006)	(61,710)
Comprehensive loss	(1,984,423)	(1,512,782)	(3,351,199)	(3,124,306)
Loss per common share:				
Basic and diluted	(0.03)	(0.03)	(05)	(0.06)
Weighted average number of shares outstanding:				
Basic and diluted	61,164,760	50,138,164	61,125,155	49,803,682

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	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	211,250	155,588	(31,282)	-	-	124,306
Share-based compensation expense	-	-	903,446	-	-	903,446
Net loss	-	-	-	(3,062,596)	-	(3,062,596)
Cumulative translation adjustment	-	-	-	-	(61,710)	(61,710)
Balance on September 30, 2010 (Note 8)	50,039,577	15,765,090	2,900,603	(4,682,096)	(61,710)	13,921,887
Balance on April 1, 2011	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	-	-	89,378	-	-	89,378
Net loss	-	-	-	(2,652,193)	-	(2,652,193)
Cumulative translation adjustment	-	-	-	-	(732,403)	(732,403)
Balance on September 30, 2011	61,164,760	22,331,597	4,680,028	(10,511,322)	(453,516)	16,046,787

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)

CASH PROVIDED BY (USED IN):	Six months ended September 30,	
	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,652,193)	(3,062,596)
Items not affecting cash:		
Amortization	15,133	5,171
Share-based payments	89,378	903,446
Changes in non-cash working capital items:		
Increase in trade and other receivables	(144,294)	(181,196)
Increase in prepaid expenses and deposits	(14,945)	(10,491)
Increase in trade and other payables	93,005	118,223
Cash used in operating activities	(2,613,916)	(2,227,443)
INVESTING ACTIVITIES		
Purchase of equipment	(25,203)	(52,954)
Value added tax paid	(15,918)	(5,112)
Acquisition of mineral interests	(378,719)	(287,279)
Cash used in investing activities	(419,840)	(345,345)
FINANCING ACTIVITIES		
Issuance of common shares for:		
Sale of common shares	311,182	-
Exercise of warrants	53,388	124,306
Exercise of stock options	4,716	-
Promissory note repayment	(977,165)	(333,524)
Cash used in financing activities	(607,879)	(209,218)
Net change in cash and cash equivalents	(3,641,635)	(2,782,006)
Effect of exchange rate changes on cash	(693,623)	(82,796)
Cash and cash equivalents at beginning of period	8,643,417	6,944,999
Cash and cash equivalents at end of period (Note 7)	4,308,159	4,080,197

Supplemental cash flow information (Note 7)

See accompanying notes to the condensed consolidated interim financial statements

CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 – UNAUDITED – PREPARED BY MANAGEMENT

Expressed in U.S. Dollars, Unless Otherwise Noted

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 September 30, 2011, the Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses of \$10,511,322 (March 31, 2011 - \$7,859,129) 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. 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 November 10, 2011.

CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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.

The Company started preparing IFRS interim condensed consolidated financial statements as of April 1, 2011 as 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”).

These condensed consolidated interim financial statements do not include all the necessary annual disclosure in accordance with IFRS and 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 Company’s accounting policies. 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:

IFRS 9 – Financial instruments - classification and measurement

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.

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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. UNPROVEN MINERAL INTERESTS

At September 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, September 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	(36,105)	-	(36,105)
Balance, September 30, 2011	7,474,023	3,975,395	11,449,418

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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)
	<u>6,657,732</u>
Consideration:	
Promissory notes	2,147,837
Shares issued	4,509,895
	<u>6,657,732</u>

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

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
	<u>3,299,490</u>
Consideration:	
Cash	241,240
Shares issued	3,058,250
	<u>3,299,490</u>

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

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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 issuance of shares and the completion of certain levels of exploration expenditures on El Oro are required to exercise the Option.

In two separate letter agreements dated February 2, 2009 (the "February 2009 Agreement") and September 30, 2009 (the "September 2009 Agreement"), the parties agreed to certain amendments to the 2006 Agreement. The most significant change was the removal of the back-in right on the historic mining area which covers all known gold and silver bearing veins. In accordance with the terms of the 2006 Agreement, as amended, each of Candente Copper and Canaco committed to issue to 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 1,000,000 Candente Gold shares at various dates on or before November 30, 2011 (completed);
- Commit to cumulative exploration expenditures totaling \$5,000,000 to be completed on or before November 30, 2011 (completed);

Accordingly, during the year ended March 31, 2011, the Company completed the requirements 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.

4. 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 September 30, 2011, VAT tax credits in Peru were \$44,817 (March 31, 2011: \$28,899).

5. CAPITAL AND RESERVES

Capital

At September 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 six months ended September 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 six months ended September 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.

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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.

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 six months ended September 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 six months ended September 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 September 30, 2011	4,348,000	0.65

The weighted average exercise price as at September 30, 2011 for the options awarded and outstanding is Cdn\$0.65 (March 31, 2011 - Cdn\$0.65).

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

Exercise price (Cdn\$)	Options outstanding			Options exercisable		
	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

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 September 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 six months ended September 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 six months ended September 30, 2011 will be amortized over the vesting period, of which Cdn\$50,701 was recognized in the six months ended September 30, 2011.

The total share-based compensation calculated for the six months ended September 30, 2011 was \$89,378 (six months ended September 30, 2010 - \$903,446).

Warrants

The fair value of the broker warrants issued during the six months ended September 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).

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The weighted average assumptions used for the calculation were:

	Six months ended September 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

The following summarizes information about share options outstanding at September 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 September 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		

6. SEGMENTED INFORMATION

At September 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:

	September 30, 2011			
	Mexico	Peru	Canada	Total
Current assets	\$ 826,897	\$ 21,545	\$ 4,145,346	\$ 4,993,788
Equipment	58,421	4,422	42,441	105,284
Value-added tax receivable	-	44,817	-	44,817
Unproven mineral interests	7,474,023	3,975,395	-	11,449,418
	\$ 8,359,341	\$ 4,046,179	\$ 4,187,787	\$ 16,593,307

	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

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7. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents consist of:

	September 30, 2010 \$	March 31, 2011 \$
Cash	411,765	7,083,740
Cash equivalents	3,896,394	1,559,677
	4,308,159	8,643,417

The significant non-cash transactions during the six months ended September 30, 2011 were:

- 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.
- The Company recorded stock-based compensation of \$89,378 calculated using the Black-Scholes pricing model.
- 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:

- 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.
- The Company recorded stock-based compensation of \$1,116,534, calculated using the Black-Scholes pricing model.
- The Company transferred \$181,629 of reserves to common shares on exercise of options and warrants.

8. FIRST-TIME ADOPTION OF IFRS

The Company 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,

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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.

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Reconciliations of statements of financial position

Reconciliations between the Canadian GAAP and IFRS consolidated statements of financial position at September 30, 2010 are provided below:

CANDENTE GOLD CORP.					
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
AS AT SEPTEMBER 30, 2010					
EXPRESSED IN US DOLLARS					
			Transition		
	Canadian GAAP	Impact	Notes		IFRS
ASSETS					
Current assets					
Cash and cash equivalents	4,080,197				4,080,197
Trade and other receivables	282,519				282,519
Prepays and deposits	323,342				323,342
Total current assets	4,686,058				4,686,058
Equipment	59,940	71	2,4		60,011
Value-added tax receivable	9,674				9,674
Unproven mineral interests	7,314,035	3,100,028	1,2,3		10,414,063
	12,069,707				15,169,806
LIABILITIES					
Current					
Accounts payable and accrued liabilities	325,051				325,051
Promissory note payable	922,868				922,868
	1,247,919				1,247,919
EQUITY					
Common shares	12,618,956	3,146,134	1		15,765,090
Other reserves	2,960,671	- 60,068	1		2,900,603
Accumulated other comprehensive loss	-	- 61,710	3,4,5	-	61,710
Deficit	- 4,757,839	75,743	2,5,6	-	4,682,096
	10,821,788				13,921,887
	12,069,707				15,169,806

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Reconciliations of total comprehensive income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the three and six months ended September 30, 2010 are provided below.

CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS				
THREE MONTHS ENDED SEPTEMBER 30, 2010				
EXPRESSED IN US DOLLARS				
		Transition		
	Canadian GAAP	Impact	Notes	IFRS
<i>General and Administrative</i>				
Depreciation	530	-		530
Audit and tax advisory	612	-		612
Bank charges and interest	1,657	-		1,657
Corporate development	11,539	-		11,539
Legal	11,596	-		11,596
Management and office salaries and benefits	58,134	-		58,134
Office, rent and miscellaneous	36,688	-		36,688
Travel and accomodations	727	-		727
Regulatory and filing fees	44,641	-		44,641
Shareholder communications	13,118	-		13,118
Share-based compensation expense	482,129	- 138,333	6	343,796
Interest and other income	- 15,745	-		- 15,745
Loss (gain) on foreign exchange	- 60,141	92,350	5	32,209
	- 585,485			- 539,502
<i>Exploration</i>				
Depreciation	2,311	-		2,311
Assays	42,233	-		42,233
Administration	166,439	-		166,439
Camp, field supplies and travel	346,874	-		346,874
Drilling	341,049	-		341,049
Equipment maintenance and rental	11,096	-		11,096
Field support and personnel	26,074	-		26,074
Geological and geophysical	133,907	-		133,907
	- 1,069,983	-		- 1,069,983
Net Loss	- 1,655,468	-		- 1,609,485
		-		
Other comprehensive loss		-		
Cumulative translation adjustment	-	96,703		96,703
	-			96,703
Comprehensive loss	- 1,655,468			- 1,512,782

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CANDENTE GOLD CORP.					
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS					
SIX MONTHS ENDED SEPTEMBER 30, 2010					
EXPRESSED IN US DOLLARS					
			Transition		
	Canadian GAAP	Impact	Notes		IFRS
<i>General and Administrative</i>					
Depreciation	1,060				1,060
Audit and tax advisory	4,794				4,794
Bank charges and interest	3,607				3,607
Corporate development	86,427				86,427
Legal	21,119				21,119
Management and office salaries and benefits	141,067				141,067
Office, rent and miscellaneous	72,846				72,846
Travel and accommodations	23,504				23,504
Regulatory and filing fees	65,165				65,165
Shareholder communications	20,944				20,944
Share-based compensation expense	911,468	- 8,022	6		903,446
Interest and other income	- 25,505				- 25,505
Loss (gain) on foreign exchange	92,537	- 63,678	5		28,859
	- 1,419,033				- 1,347,333
<i>Exploration</i>					
Depreciation	4,111				4,111
Assays	49,834				49,834
Administration	310,835				310,835
Camp, field supplies and travel	434,956				434,956
Drilling	549,821				549,821
Equipment maintenance and rental	13,592				13,592
Field support and personnel	48,479				48,479
Geological and geophysical	303,635				303,635
	- 1,715,263				- 1,715,263
Net Loss	- 3,134,296				- 3,062,596
<i>Other comprehensive loss</i>					
Cumulative translation adjustment	-	- 61,710			- 61,710
	-				- 61,710
Comprehensive loss	- 3,134,296				- 3,124,306

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.