



CANDENTE
GOLD CORP

Consolidated Financial Statements
For the years ended March 31, 2017 and 2016
(Expressed in United States dollars, unless otherwise noted)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Candente Gold Corp.:

We have audited the accompanying consolidated financial statements of Candente Gold Corp., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Candente Gold Corp. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Candente Gold Corp.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
July 26, 2017

Candente Gold Corp.

Consolidated Statements of Financial Position

At March 31, 2017 and March 31, 2016

(expressed in United States dollars unless otherwise noted)

	Notes	March 31, 2017	March 31, 2016
Assets			
Current assets			
Cash		\$ 124,923	\$ 9,561
Trade and other receivables		2,544	1,920
Prepaid expenses and deposits		3,473	16,624
		130,940	28,105
Non-current assets			
Unproven mineral right interests	4	8,524,911	8,443,769
Equipment		5,224	6,768
Total non-current assets		8,530,135	8,450,537
Total assets		\$ 8,661,075	\$ 8,478,642
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	5,7	\$ 1,032,357	\$ 1,258,717
Total Liabilities		1,032,357	1,258,717
Equity			
Share capital	6	24,193,995	23,804,489
Obligation to issue shares	4,6	107,444	-
Reserves	6	5,777,359	5,607,069
Accumulated deficit		(22,450,080)	(22,191,633)
Total equity		7,628,718	7,219,925
Total liabilities and equity		\$ 8,661,075	\$ 8,478,642

Nature of operations and going concern 1

Approved on behalf of the Board of Directors on July 26, 2017

(signed) Larry Kornze
Director

(signed) Paul Barry
Director

The accompanying notes are an integral part of these consolidated financial statements.

Candente Gold Corp.
Consolidated Statements of Comprehensive Loss
For the years ended March 31, 2017 and 2016
(expresses in United States dollars unless otherwise noted)

			Year ended March 31,	
	Notes		2017	2016
Expenses				
Exploration expenses	9	\$	23,812	\$ 99,418
General and administrative expenses	9		437,004	233,457
			460,816	332,875
Other (income) expenses				
Gain on forgiveness of debt	7		(210,375)	-
Impairment of unproven mineral right interest	4		-	1,185,000
Write off of equipment			-	24,350
Loss on foreign exchange			8,006	70,472
Net loss		\$	(258,447)	\$ (1,612,697)
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Foreign currency translation			18,326	5,594
Comprehensive loss		\$	(240,121)	\$ (1,607,103)
Loss per share attributable to shareholders				
Basic and diluted		\$	(0.00)	\$ (0.02)
Weighted average number of common shares outstanding: basic and diluted			102,727,471	96,206,923

The accompanying notes are an integral part of these consolidated financial statements.

Candente Gold Corp.

Consolidated Statements of Changes in Equity

For the years ended March 31, 2017 and 2016

(expressed in United States dollars unless otherwise noted)

	Share Capital		Reserves						Total
	Total common shares	Share capital	Equity settled employee compensation and warrants	Other reserve	Foreign currency reserve	Total reserves	Obligation to issue shares	Deficit	
Balance at March 31, 2016	96,206,923	\$ 23,804,489	\$ 5,724,106	\$ 52,046	\$ (169,083)	\$ 5,607,069	\$ -	\$ (22,191,633)	\$ 7,219,925
Private placement, net of share issuance costs	10,000,000	362,645	-	-	-	-	-	-	362,645
Shares issued for property acquisition	1,000,000	26,861	-	-	-	-	-	-	26,861
Shares owing for property acquisition	-	-	-	-	-	-	107,444	-	107,444
Share-based payment	-	-	151,964	-	-	151,964	-	-	151,964
Net loss	-	-	-	-	-	-	-	(258,447)	(258,447)
Foreign currency translation	-	-	-	-	18,326	18,326	-	-	18,326
Balance at March 31, 2017	107,206,923	\$ 24,193,995	\$ 5,876,070	\$ 52,046	\$ (150,757)	\$ 5,777,359	\$ 107,444	\$ (22,450,080)	\$ 7,628,718

	Share Capital		Reserves						Total
	Total common shares	Share capital	Equity settled employee compensation and warrants	Other reserve	Foreign currency reserve	Total reserves	Obligation to issue shares	Deficit	
Balance at March 31, 2015	96,206,923	\$ 23,804,489	\$ 5,702,990	\$ 52,046	\$ (174,677)	\$ 5,580,359	\$ -	\$ (20,578,936)	\$ 8,805,912
Share-based payment	-	-	21,116	-	-	21,116	-	-	21,116
Net loss	-	-	-	-	-	-	-	(1612,697)	(1612,697)
Foreign currency translation	-	-	-	-	5,594	5,594	-	-	5,594
Balance at March 31, 2016	96,206,923	\$ 23,804,489	\$ 5,724,106	\$ 52,046	\$ (169,083)	\$ 5,607,069	\$ -	\$ (22,191,633)	\$ 7,219,925

The accompanying notes are an integral part of these consolidated financial statements.

Candente Gold Corp.
Consolidated Statements of Cash Flows
For the years ended March 31, 2017 and 2016
(expressed in United States dollars unless otherwise noted)

	Year ended March 31,	
	2017	2016
Cash provided by (used in):		
Operating		
Loss for the year	\$ (258,447)	\$ (1,612,697)
Items not affecting cash:		
Depreciation	1,929	4,260
Share-based payment	151,964	21,116
Impairment of unproven mineral right interests	-	1,185,000
Gain on forgiveness of debt	(210,375)	-
Write off of equipment	-	24,350
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	(624)	2,187
Decrease in prepaid expenses and deposits	13,151	12,151
Increase (decrease) in accounts payable and accrued liabilities	14,221	175,932
Net cash used operating activities	(288,181)	(187,701)
Investing		
Value added tax recovered (paid)	26,405	(92)
Addition to unproven mineral rights interests	(3,449)	(3,000)
Net cash provided by (used) in investing activities	22,956	(3,092)
Financing		
Private placement, net of share issuance costs	362,645	-
Net cash provided by financing activities	362,645	-
Effect of exchange rate changes on cash	17,942	5,594
Net change in cash	115,362	(185,199)
Cash at beginning of year	9,561	194,760
Cash at end of year	\$ 124,923	\$ 9,561

The accompanying notes are an integral part of these consolidated financial statements.

Candente Gold Corp.

Consolidated Financial Statements

For the years ended March 31, 2017 and 2016

(Expressed in United States dollars unless otherwise noted)

1. Nature of operations and going concern

Candente Gold Corp. and its subsidiaries (the "Company") are engaged in the exploration of mineral right interests in Mexico and Peru. The Company was incorporated on April 24, 2009 under the Business Corporation Act of British Columbia. The principal subsidiaries of the Company as at March 31, 2017 are as follows:

Subsidiary	Interest	Functional Currency
Candente Mexico Resource Corp.	100%	CDN Dollars
El Oro (BC) Exploration Inc.	100%	CDN Dollars
Candente Gold Peru S.A.	100%	US Dollars
Minera CCM, S.A. de C.V. ("CCM")	100%	US Dollars
Minera CCM El Oro Jales S.A. de C.V.	100%	US Dollars
Candente Mexico Servicios S.A. de C.V.	100%	US Dollars

Candente Gold's common shares are listed on the TSX Venture Exchange ("TSX-V") under the trading symbol CDG.V. The Company's share options and warrants are not listed.

These consolidated financial statements were authorized for issue by the Board of Directors on July 26, 2017.

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the year ended March 31, 2017, the Company had a net loss of \$258,000, current liabilities exceed current assets by \$0.9 million at March 31, 2017 and as at March 31, 2017, the Company had cumulative losses since inception of \$22.5million. The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds through the issuance of securities, resource secured debt or joint venture projects. Although, the Company has been successful in raising funds in the past there can be no assurance that the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. In addition, the Company is subject to sovereign risk, including political and economic instability, changes in existing government regulations relating to mining, as well as currency fluctuations and local inflation. These factors indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

Candente Gold Corp.

Consolidated Financial Statements

For the years ended March 31, 2017 and 2016

(Expressed in United States dollars unless otherwise noted)

2. Statement of compliance and basis of presentation

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board in effect as of March 31, 2017.

These consolidated financial statements have been prepared on a 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.

3. Significant accounting estimates and judgments

a. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements. These estimates and judgments have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Critical accounting estimates

i. Valuation of share-based payments and warrants

When options and warrants are issued, the Company calculates their estimated fair value using the Black-Scholes valuation model. The Company uses its historical stock prices to determine volatility and historical exercise terms to determine expected lives to arrive at the inputs that are used in the valuation model to calculate the fair value of the option or warrant.

(b) Critical accounting judgments

i. Going concern

Management assesses the Company's ability to continue as a going concern in relation to its ability to raise funds.

ii. Unproven mineral rights interests and impairment

Unproven mineral rights interests, consists of the cost of acquiring licenses. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area or alternatively by sale of the property. Management is required to exercise significant judgment in determining the timing of the determination of the technical and economic feasibility of the mineral resource. The Company considers both external and internal sources of information in assessing whether there are any indicators that unproven mineral right interests are impaired. Management has determined that there are no indicators of impairment of unproven mineral rights interests at March 31, 2017.

Candente Gold Corp.

Consolidated Financial Statements

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(Expressed in United States dollars unless otherwise noted)

3. Significant accounting estimates and judgments (continued)

iii. Functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment in which the entity operates and the Company reconsiders its functional currency and that of its subsidiaries if there is a change in events and conditions which determined the primary economic environment.

b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

An investor controls 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. Thus, an investor controls an investee if and only if the investor has all the following: power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

Inter-company transactions, balances and income and expenses on transactions between the Company and its subsidiaries are eliminated.

c. Foreign currency translation

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates, which has been determined to be the US or Canadian 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 statement of financial position date are retranslated at the period end date exchange rates. Non-monetary items 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 presentation currency of the Company is the US dollar. The accounts of group companies with a functional currency other than the US dollar are translated from their functional currency into US dollars on consolidation. Items in the statement of comprehensive loss are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the statement of financial position are translated at the exchange rate at the financial position date. Exchange differences on the translation of the net assets of the entities are recognized in a separate component of equity.

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3. Significant accounting policies (continued)

d. Unproven mineral right interests

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

Management reviews the carrying amounts of mineral rights interest annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. An indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, or if the entity has decided to discontinue exploration activity in a specific area.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights interest. 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 interest, with any excess being included in operations.

Expenses incurred by the Company in Peru, including exploration expenses, are subject to Peruvian Value Added Tax ("VAT"). Given that the Company is in the exploration stage and has no sources of revenue, the VAT is not currently refundable to the Company, but can be used in the future to offset amounts due to the Peruvian taxation authorities by the Company resulting from VAT charged to clients on future sales. The VAT has been included as part of unproven mineral right interests.

e. Equipment

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

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

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

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

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(Expressed in United States dollars unless otherwise noted)

3. Significant accounting policies (continued)

f. Financial instruments

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 include cash and cash equivalents and are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables include trade and other receivables and are measured at amortized cost using the effective interest method less any allowance for impairment.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for when there is a significant or prolonged decline in the fair value of that investment below its cost, at which time the impairment is recognized in profit or loss. Reversals of impairment with respect to available for sale equity instruments are not recognized in profit or loss.

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

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 include trade payables 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.

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.

g. Income taxes

Current taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Candente Gold Corp.
Consolidated Financial Statements
For the years ended March 31, 2017 and 2016
(Expressed in United States dollars unless otherwise noted)

3. Significant accounting policies (continued)

Deferred taxation

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where, the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

h. 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").

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

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

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

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

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

Candente Gold Corp.
Consolidated Financial Statements
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(Expressed in United States dollars unless otherwise noted)

3. Significant accounting policies (continued)

i. 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.

j. Impairment

Impairment of financial assets

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

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.

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.

Candente Gold Corp.

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(Expressed in United States dollars unless otherwise noted)

3. Significant accounting policies (continued)

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 in the statement of loss and comprehensive loss, 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.

k. Loss per share

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to shareholders, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to owners of the parent, adjusted for:

- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The Company has incurred losses since its inception and, therefore, basic loss per share has been equal to diluted loss per share as these impacts would be anti-dilutive.

m. Future accounting standards

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") but not yet effective as at March 31, 2017. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its consolidated financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

The following standards or amendments are effective for future accounting periods:

- 1) IFRS 9 – Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- 2) IFRS 15 – Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018); and
- 3) IFRS 16 – Lease (effective for annual periods beginning on or after January 1, 2019).

Candente Gold Corp.

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4. Unproven mineral right interests

As of March 31, 2017, and 2016, the Company's capitalized unproven mineral right interest costs are as follows:

	Balance at April 1, 2016	Acquisition costs and additions	Impairment of unproven mineral rights interests	Balance at March 31, 2017
Mexican Properties				
El Oro - Hardrock	\$ 8,009,752	\$ 68,098	\$ -	\$ 8,077,850
El Oro mine tailings	118,840	36,000	-	154,840
Peruvian Properties	204,489	3,449	-	207,938
Value-added tax	110,688	(26,405)	-	84,283
Closing balance	\$ 8,443,769	\$ 81,142	\$ -	\$ 8,524,911

	Balance at April 1, 2015	Acquisition costs and additions	Impairment of unproven mineral rights interests	Balance at March 31, 2016
Mexican Properties				
El Oro - Hardrock	\$ 8,009,752	\$ -	\$ -	\$ 8,009,752
El Oro mine tailings	82,840	36,000	-	118,840
Peruvian Properties	1,389,489	-	(1,185,000)	204,489
Value-added tax	110,596	92	-	110,688
Closing balance	\$ 9,592,677	\$ 36,092	\$ (1,185,000)	\$ 8,443,769

Mexican Properties

El Oro – Hardrock

On January 31, 2017, the Company acquired the remaining 30% interest in the El Oro Project (the "El Oro Project") in Mexico (the "Transferred Interest") from Desarrollos Mineros San Luis, S.A. de C.V. ("DMSL"), a subsidiary of Goldcorp Inc. ("Goldcorp"). The Company now holds a 100% interest in the El Oro Project as it had previously earned a 70% interest in the El Oro Project from Goldcorp. As consideration for the acquisition of the Transferred Interest, the Company agreed to issue to DMSL (or its nominee) an aggregate of 5,000,000 common shares of the Company. 1,000,000 common shares were issued on the date of acquisition of the Transferred Interest (issued with a fair value of \$26,861 (CDN\$35,000)) (Note 6) and further tranches of 1,000,000 common shares are to be issued to DMSL (or its nominee) on the four successive anniversary dates, with the Company having the right but not the obligation to issue any or all of such 4,000,000 common shares in advance of such anniversary dates in its sole discretion. The 4,000,000 common shares were fair valued at \$107,444 (CDN\$140,000) and were recorded as an obligation to issue shares as at March 31, 2017 (Note 6). During the year ended March 31, 2017, the Company recovered \$66,207 of acquisition costs.

El Oro Mine Tailings

During the year ended March 31, 2014, the Company signed an agreement with the municipality of El Oro that provides the Company with the access and processing rights to tailings deposits. Upon signing

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4. Unproven mineral right interests (continued)

the agreement, \$25,000 was due and paid with monthly contributions of \$3,000 (paid). The Company is obligated to pay \$3,000 per month for the life of the agreement.

On March 8, 2016, the Company entered into an agreement with Sun River Gold Corp. ("SRG") to grant SRG the right and option to earn a 51% interest in the Company's tailing project in El Oro Mexico. On signing, SRG paid the Company \$10,000 and paid an additional \$10,000 per month during the first three months; thereafter payments will reduce to \$3,000 per month. During the year ended March 31, 2017, the Company received \$32,000 in payments (2016 - \$10,000) from SRG. The Company and SRG are in the process of amending the agreement for SRG to earn 100% of the interest in the tailing project.

Peruvian properties

During the year ended March 31, 2016, the Company allowed certain claims to lapse and thus, recorded an impairment of \$1,185,000. As at March 31, 2017, the Company has maintained in good standing a portion of the Tres Marias and Lunahuana properties. These properties are early to mid-stage gold and gold-silver exploration projects in Peru.

During the year ended March 31, 2016, the Company entered into an agreement with Inversiones Troy SAC ("Troy") which gave Troy the right to acquire 100% of the Company's remaining Peruvian property subject to an NSR of 1% as well as option payments totaling \$500,000. The Company terminated the agreement in the current year. No payments were made to the Company under the agreement.

5. Trade payables and accrued liabilities

	March 31, 2017	March 31, 2016
Trade payables	\$ 917,749	\$ 1,167,255
Accrued liabilities	118,761	91,462
	\$ 1,032,357	\$ 1,258,717

6. Capital and equity reserve

a. Shares authorized

The Company has an unlimited number of common shares with no par value.

b. Common share issues

On August 12, 2016, the Company completed a non-brokered private placement of 10,000,000 units at a price of CDN\$0.05 per unit for gross proceeds of \$385,967 (CDN\$500,000). Each Unit consists of one common share of the Company and one half-share purchase warrant. Each warrant will be exercisable for one additional share of the Company's common stock for two years at a conversion price of CDN\$0.10, subject to an acceleration provision triggered if at any time after November 30, 2016, the Company's common shares have a closing price on the TSX-V at or above a price of CDN\$0.20 per share for a period of 10 executive trading days. The Company incurred \$23,322 (CDN\$30,189) of share issuance costs in relation to this issuance.

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6. Capital and equity reserve (continued)

b. Common share issues (continued)

On January 30, 2017, the Company issued 1,000,000 shares with a fair value of \$26,861 (CDN\$35,000) to acquire the Transferred Interest in the El Oro property (Note 4).

c. Share options

Company has an incentive share option plan (the "Plan"). Under the Plan a total of 10% of the Company's outstanding common shares are reserved for the issuance of shares at discretion of the Board of Directors. Terms of each option award is fixed by the Board of Directors at time of grant. Share option awards have a maximum term of ten years.

The changes in stock options were as follows:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Options outstanding, March 31, 2015	5,295,000	\$0.13
Options expired	(800,000)	\$0.25
Options outstanding, March 31, 2016	4,495,000	\$0.17
Options granted	5,800,000	\$0.05
Options cancelled	(775,000)	\$0.11
Options expired	(130,000)	\$0.65
Options outstanding, March 31, 2017	9,390,000	\$0.09

As at March 31, 2017, the following options were exercisable and outstanding:

Grant date	Outstanding		Exercisable		Expiry date
	Exercise price (CDN\$)	Number of options	Exercise price (CDN\$)	Number of options	
December 5, 2012	\$0.25	250,000	\$0.25	250,000	December 5, 2017
February 15, 2013	\$0.25	1,085,000	\$0.25	1,085,000	February 15, 2018
August 27, 2014	\$0.10	2,405,000	\$0.10	2,405,000	August 27, 2019
September 10, 2014	\$0.10	100,000	\$0.10	100,000	September 10, 2019
May 20, 2016	\$0.05	5,000,000	\$0.05	5,000,000	May 20, 2026
February 28, 2017	\$0.05	550,000	\$0.05	550,000	February 28, 2027
		9,390,000		9,390,000	

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6. Capital and equity reserve (continued)

c. Share options (continued)

The Company used the Black-Scholes Option-Pricing Model under the following weighted average assumptions and recorded total stock based compensation for the year ended March 31, 2017 and 2016 of \$151,964 and \$21,166 (Note 9) respectively:

	Year ended March 31, 2017	Year ended March 31, 2016
Dividend yield	0.00%	0.00%
Risk-free interest rate	1.39%	1.52-1.62%
Volatility range	115.36%	98%
Expected life	10 years	5 years
Forfeiture rate	0.00%	2.5%

d. Warrants

	Number of Warrants	Weighted Average Exercise Price (CDN\$)
Warrants outstanding, March 31, 2015	847,400	\$0.05
Expired	(629,000)	0.05
Warrants outstanding, March 31, 2016	218,400	0.05
Granted	5,000,000	0.10
Expired	(218,400)	0.05
Warrants outstanding, March 31, 2017	5,000,000	\$0.10

e. Reserves

Other reserve:

Other reserve records the reserve resulting from the acquisition of subsidiaries.

Equity settled employee compensation and warrants reserve:

The equity settled employee compensation and warrant reserve recognized as stock-based compensation expense and other warrant payments. At the time that stock options or warrants are exercised, the corresponding amount will be transferred to share capital.

Foreign currency reserve:

Foreign currency reserve records unrealized exchange differences arising on translation of group companies that have a functional currency other than the Company's reporting currency.

f. Obligation to issue shares

Obligation to issue shares consists of the fair value of 4,000,000 common shares that are due to be issued to DMSL for the acquisition of the Transferred Interest (Note 4).

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6. Capital and equity reserve (continued)

g. Loss per share

The calculation of basic and diluted loss per share for the years ended March 31, 2017 and 2016 was based on the loss attributed to common shareholders of \$258,447 (2016 - \$1,612,697) and the weighted average number of common shares outstanding of 102,727,471 (2016 – 96,206,923).

7. Related party disclosures

Company's related parties consist of companies owned by executive officers and directors. The following is a list of related parties that the Company enters into trading transactions with:

- Ridley Rocks Inc. – Management and exploration fees;
- SW Project Management – Project management and engineering fees;
- Michael Thicke Geological Consulting Inc. – Exploration fees for member group of companies; and
- Candente Copper Corp. - shared administrative expenses with a Company related by directors and management in common.

a. Related party transactions

The Company incurred the following fees and expenses with companies owned by key management and directors.

	Year ended	
	March 31, 2017	March 31, 2016
Salaries and management and exploration fees (note 9)	\$77,681	\$93,023
Share-based payment (note 9)	132,568	14,352
	\$210,249	\$107,375

Share-based payments are the fair value of options expensed to directors and key management personnel during the years ended March 31, 2017 and 2016.

b. Balance owing

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2017 includes \$166,974 (March 31, 2016 - \$308,510) owing to directors and officers and \$571,423 (March 31, 2016 - \$580,902) owing to Candente Copper Corp., a shareholder of the Company. During the year ended March 31, 2017, management forgave fees owed to them in the amount of \$183,573.

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8. Segmented information

The Company operates in one segment being the exploration of mineral properties. The Company operates in three geographical areas, being Peru, Mexico and Canada. Following is an analysis of the Company's assets by geographical area and reconciled to the Company's consolidated financial statements.

March 31, 2017				
	Canada	Peru	Mexico	Total
Unproven mineral right interests	\$ -	\$282,359	\$8,242,552	8,524,911
Equipment	-	1,066	4,158	5,224
	\$ -	\$283,425	\$8,246,710	\$8,530,135

March 31, 2016				
	Canada	Peru	Mexico	Total
Unproven mineral right interests	\$ -	\$315,177	\$8,128,592	\$8,443,769
Equipment	-	1,632	5,136	6,768
	\$ -	\$316,809	\$8,133,728	\$8,450,537

9. Expenses

Year ended March 31,			
	2017		2016
GENERAL AND ADMINISTRATIVE			
Audit and tax advisory fees	\$ 36,343	\$	34,743
Bank charges and interest	1,094		544
Depreciation	1,929		4,260
Legal	67,678		59,210
Management fees, office salaries and benefits (Note 7)	82,365		39,670
Office, rent and miscellaneous	17,748		36,633
Regulatory and filing fees	28,676		34,415
Share-based payment (Note 7)	151,964		21,166
Shareholder communications	49,207		2,816
Total general and administrative expenses	\$ 437,004	\$	233,457
EXPLORATION			
Community engagement and initiatives	\$ -	\$	12,054
Exploration	(27,334)		26,314
Project administration	83,146		71,050
Cost recoveries	(32,000)		(10,000)
Total exploration expenses	\$ 23,812	\$	99,418

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10. Income taxes

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

	For the year ended	
	March 31, 2017	March 31, 2016
Applicable income tax rate	26%	26.00%
Loss for the year before income taxes	\$(258,447)	\$(1,612,697)
Expected recovery at the applicable tax rate	(67,196)	(419,301)
Expenses not deductible for tax purposes:	31,422	11,834
Difference in tax rate in foreign operations	(7,324)	(62,484)
Tax effect of tax losses and temporary differences not recognized and other	43,098	469,951
Income tax expense	\$	\$ -

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	For the year ended	
	March 31, 2017	March 31, 2016
Non-capital losses	\$ 12,042,377	\$ 12,005,763
Share issue costs	21,306	16,446
Foreign exploration	7,357,343	7,232,953
Equipment	2,758	2,859
Capital losses	185,870	185,870
Eligible capital	60,221	60,221
Unrecognized deductible temporary differences	\$ 19,669,875	\$ 19,504,112

At March 31, 2017, the Company has non-capital operating losses of approximately \$12 million (2016 - \$12 million) and had resource-related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada. The operating losses expire as follows:

2018-2024	\$	7,200,000
2030		574,236
2031		1,019,637
2032		602,711
2033		480,927
2034		629,742
2035		1,073,552
2036		337,753
2036		123,820
Unrecognized deductible temporary differences	\$	12,042,377

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11. Financial risk and capital management

The Company is exposed to certain financial risks in the normal course of its operations:

a. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The liquidity position of the Company is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost-efficient manner. The Company's management continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. The Company plans to make payments of trade payables and commitments from its current working capital and future sources of equity financing. Liquidity risk is considered to be high.

Maturity analysis of financial instruments

Financial liabilities	Carrying amount	2017	2018	2019	2020
Trade payables and accrued liabilities	\$ 1,032,357	\$ 1,032,357	\$ -	\$ -	\$ -

b. Currency risk

Currency risk is the risk that arises on financial instruments that are denominated in a currency, i.e. in a currency other than the functional currency in which they are measured. The Company operates internationally and is exposed to risks from foreign currency rates. The functional currency of the Company's subsidiaries is the United States and Canadian dollars and some of the subsidiaries transactions are denominated in Mexican Pesos and Nuevo Soles. The Company does not enter into any foreign exchange contracts to mitigate this risk. The Company and its subsidiaries do not have significant transactions or hold significant cash denominated currencies other than their functional currencies. Therefore, the risk is considered minimal.

c. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risk arises from cash and trade and other receivables. Cash are deposited in highly rated corporations and the credit risk associated with these deposits is low.

d. Fair value hierarchy

The consolidated statements of financial position carrying amounts for cash, trade and other receivables and trade payables, approximate fair value due to their short-term nature.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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11. Financial risk and capital management (continued)

d. Fair value hierarchy (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Assets				
Cash	\$ 124,923	\$ -	\$ -	\$ 124,923

There were no transfers between levels during the year.

e. Capital management

The Company's capital structure is comprised of working capital (current assets minus current liabilities) and equity. The Company's objectives when managing its capital structure is to, maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations.

The Company's corporate office is responsible for capital management. This involves the use of corporate forecasting models, which facilitate analysis of the Company's financial position including cash flow forecasts to determine the future capital management requirements.

In preparing its budgets and corporate forecasting models, the Company considers operating commitments imposed by its subsidiaries and the stability of the global capital markets

Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company's operating and capital expenditure requirements are met. The total capital being managed by the Company as of the balance sheet dates, March 31, 2017 and March 31, 2016 is as follows:

	As at March 31, 2017	As at March 31, 2016
Total working capital deficiency	\$ (901,417)	\$ (1,230,612)
Total equity	7,628,718	7,219,925
Total capital	\$ 6,727,301	\$ 5,989,313

There were no changes in the Company's approach to capital management during the year and the Company is not subject to any restrictions on its capital.