

CANDENTE COPPER CORP.
(Formerly Candente Resource Corp.)

Audited Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

(Expressed in U.S. Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Candente Copper Corp. (formerly Candente Resource Corp.) and its subsidiaries, the Management Discussion and Analysis and the information contained in the company's annual filing are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgement.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the annual filing are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Candente Copper Corp. and its subsidiaries have developed and continue to maintain systems of internal accounting controls, and segregation of duties and responsibilities whenever possible.

Although no cost effective system of internal control will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual filing principally through its Audit Committee, consisting of non-executive directors. The Audit Committee meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the consolidated financial statements and financial reporting matters.

The consolidated financial statements have been audited by D&H Group LLP, Chartered Accountants, who have full access to the Audit Committee, with and without the presence of management.

“Joanne C. Freeze”
Joanne C. Freeze
Chief Executive Officer

March 22, 2011

“Aurora Davidson”
Aurora Davidson
Chief Financial Officer

March 22, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Candente Copper Corp. (formerly Candente Resource Corp.)

We have audited the accompanying consolidated financial statements of Candente Copper Corp. which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive income (loss), deficit and accumulated other comprehensive loss, 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 Canadian generally accepted accounting principles, 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 audits 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 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 Copper Corp. as at December 31, 2010, and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
March 22, 2011

"D&H Group LLP"

Chartered Accountants

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Consolidated Balance Sheets
(Expressed in U.S. Dollars)

	December 31,	
	2010	2009
ASSETS		
Current		
Cash and cash equivalents	\$ 1,690,908	\$ 992,400
Investments (Note 4)	462,075	360,451
Amounts receivable (Note 9)	480,479	303,170
Prepaid expenses and deposits	140,639	66,098
	2,774,101	1,722,119
Shares receivable (Note 7)	-	4,422,011
Investment in Candente Gold (Note 7)	5,590,619	1,239,158
Equipment (Note 5)	260,810	351,550
Mineral properties (see Consolidated Schedule of Mineral Properties and Note 8)	40,326,754	36,103,660
	\$ 48,952,284	\$ 43,838,498
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 594,173	\$ 1,253,054
	594,173	1,253,054
SHAREHOLDERS' EQUITY		
Share capital (Notes 10, 11 and 12)	53,094,880	52,103,487
Contributed surplus (Note 13)	10,561,262	8,194,464
Deficit	(19,430,481)	(17,692,861)
Accumulated other comprehensive income (loss)	4,132,450	(19,646)
	48,358,111	42,585,444
	\$ 48,952,284	\$ 43,838,498

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 18)
Subsequent events (Note 20)

On Behalf of the Board of Directors:

"Klaus M. Zeitler"

Director

"Andres Milla"

Director

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in U.S. Dollars)

	Years Ended December 31,	
	2010	2009
GENERAL AND ADMINISTRATIVE		
Amortization	\$ 21,660	\$ 30,287
Audit and accounting	83,665	137,183
Bank charges and interest	10,325	8,294
Consulting	2,936	16,340
Corporate development	45,611	34,046
Legal	45,909	52,252
Management and office salaries and benefits	317,063	236,250
Office, rent and miscellaneous	175,909	130,440
Travel and accommodations	86,011	20,772
Regulatory and filing fees	88,249	69,120
Shareholder communications	68,813	30,442
Stock-based compensation (Note 13)	897,375	1,091,021
Interest and other income	(117,670)	(76,545)
Loss (gain) on foreign exchange	360	(669,574)
Write-down of mineral properties	11,404	238,051
Loss for the year	\$ (1,737,620)	\$ (1,348,379)
Other comprehensive income:		
Unrealized gain on available-for-sale marketable securities and Candente Gold shares	4,152,096	12,726
Comprehensive income (loss) for the year	\$ 2,414,476	\$ (1,335,653)
Loss per share:		
Basic and diluted	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding:		
Basic and diluted	94,915,723	80,953,743

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Consolidated Statements of Deficit and Accumulated Other Comprehensive Income (Loss)

(Expressed in U.S. Dollars)

	Years Ended December 31,	
	2010	2009
Deficit, beginning of year	\$ (17,692,861)	\$ (16,146,621)
Loss for the year	(1,737,620)	(1,348,379)
Increase in deficit in connection with property transfers to Candente Gold (Note 7)	-	(146,073)
Increase in deficit in connection with share issuances to fulfill obligations on El Oro property (Note 10)	-	(51,788)
Deficit, end of year	\$ (19,430,481)	\$ (17,692,861)
Accumulated other comprehensive loss, beginning of year	\$ (19,646)	\$ (32,372)
Unrealized gain on available-for-sale marketable securities and Candente Gold shares	4,152,096	12,726
Accumulated other comprehensive income (loss), end of year	\$ 4,132,450	\$ (19,646)

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars)

	Years Ended December 31,	
CASH PROVIDED BY (USED IN):	2010	2009
OPERATING ACTIVITIES		
Net loss for the year	\$ (1,737,620)	\$ (1,348,379)
Items not affecting cash:		
Amortization	21,660	30,287
Foreign exchange gain	(58,815)	(563,980)
Stock-based compensation	897,375	1,091,021
Write-down of mineral properties	11,404	238,051
Changes in non-cash working capital items:		
Increase in amounts receivable	(168,972)	(1,768)
Increase in prepaid expenses and deposits	(82,879)	(34,614)
Decrease in accounts payable and accrued liabilities	(9,066)	(83,715)
Net cash used in operating activities	(1,126,913)	(673,097)
INVESTING ACTIVITIES		
Purchase of investments	(99,120)	(61,458)
Purchase of equipment	(8,017)	(540)
Sale of equipment	44,289	66,077
Value added tax paid	(229,234)	(236,156)
Expenditures on mineral properties:		
Acquisition	(110,668)	(373,324)
Exploration	(4,511,603)	(1,468,856)
Net cash used in investing activities	(4,914,353)	(2,074,257)
FINANCING ACTIVITIES		
Issuance of common shares for:		
Private placements, gross proceeds	6,060,695	-
Share issue costs relating to private placements	(470,044)	-
Exercise of warrants	683,167	-
Exercise of stock options	407,141	-
Net cash provided by financing activities	6,680,959	-
Foreign exchange gain on cash held in foreign currency	58,815	291,432
Net increase (decrease) in cash and cash equivalents	698,508	(2,455,922)
Cash and cash equivalents, beginning of year	992,400	3,448,322
Cash and cash equivalents, end of year	\$ 1,690,908	\$ 992,400

Supplementary Cash Flow Information (Note 19)

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Consolidated Schedule of Mineral Properties (Note 8)

(Expressed in U.S. Dollars)

	Balance at December 31, 2008	Additions/ (Transfers)/ (Write-Downs)	Balance at December 31, 2009	Additions/ (Transfers)/ (Write-Downs)	Balance at December 31, 2010
PERU					
Cañariaco Property					
Acquisition costs	\$ 308,175	\$ 38,488	\$ 346,663	\$ 38,370	\$ 385,033
Exploration costs					
Assays	1,756,408	33,960	1,790,368	192,109	1,982,477
Camp, field supplies & travel	7,148,953	36,778	7,185,731	91,251	7,276,982
Drilling	9,032,894	-	9,032,894	-	9,032,894
Equipment maintenance & rental	869,989	9,996	879,985	107,313	987,298
Engineering studies	3,264,457	16,778	3,281,235	2,337,039	5,618,274
Field support & personnel	5,298,687	196,961	5,495,648	736,151	6,231,799
Geological and geophysical	2,484,829	105,848	2,590,677	240,443	2,831,120
Mapping	263,586	39	263,625	10,440	274,065
	30,427,978	438,848	30,866,826	3,753,116	34,619,942
Other Peruvian Properties					
Acquisition costs	2,039,974	299,392	2,339,366	75,480	2,414,846
Exploration costs					
Assays	234,905	666	235,571	8,904	244,475
Camp, field supplies & travel	653,310	-	653,310	13,252	666,562
Drilling	700,417	-	700,417	-	700,417
Equipment maintenance & rental	304,373	-	304,373	5,931	310,304
Field support & personnel	2,024,498	67,724	2,092,222	99,104	2,191,326
Geological and geophysical	1,780,695	90,783	1,871,478	48,579	1,920,057
Mapping	139,154	-	139,154	898	140,052
Property option payments received	(1,980,153)	-	(1,980,153)	-	(1,980,153)
Write-down of mineral properties	(25,000)	(238,051)	(263,051)	(11,404)	(274,455)
Transfer of properties (Note 7)	-	(4,663,250)	(4,663,250)	-	(4,663,250)
	5,872,173	(4,442,736)	1,429,437	240,744	1,670,181
Value Added Tax Credits (Note 6)	3,571,241	236,156	3,807,397	229,234	4,036,631
Total for Peru	39,871,392	(3,767,732)	36,103,660	4,223,094	40,326,754
MEXICO					
El Oro Properties					
Acquisition costs	292,173	35,444	327,617	-	327,617
Exploration costs					
Assays	34,267	-	34,267	-	34,267
Drilling	331,635	-	331,635	-	331,635
Equipment maintenance & rental	35,184	826	36,010	-	36,010
Field supplies & travel	23,855	287	24,142	-	24,142
Field support & personnel	101,458	10,488	111,946	-	111,946
Geological and geophysical	220,166	12,266	232,432	-	232,432
Mapping	8,689	-	8,689	-	8,689
Transfer of property (Note 7)	-	(1,106,738)	(1,106,738)	-	(1,106,738)
Total for Mexico	1,047,427	(1,047,427)	-	-	-
Total of Mineral Properties	\$ 40,918,819	(\$ 4,815,159)	\$ 36,103,660	\$ 4,223,094	\$ 40,326,754

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2010 and 2009
Expressed in U.S. Dollars, Unless Otherwise Noted

1. Nature of Operations and Continued Operations

Candente Copper Corp. ("Candente Copper") was incorporated under the Business Corporations Act (British Columbia). Candente Copper and its subsidiary companies (collectively, the "Company") are engaged in base-metals exploration in Peru. Candente Copper's common shares are listed on the Toronto Stock Exchange ("TSX") and the Lima Stock Exchange under the trading symbol "DNT".

The Company has not yet determined whether its mineral properties contain reserves that are economically recoverable.

The accompanying consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. Subsequent to December 31, 2010 the Company completed a financing for gross proceeds of Cdn\$30,174,800 (Note 20). The financing will enable the Company to further advance the Cañariaco Norte project.

At December 31, 2010, the Company had no source of operating cash flow and a deficit of \$19,430,481 (2009 - \$17,692,861). At December 31, 2010, the Company had working capital of \$2,179,928 (December 31, 2009: \$469,065).

During 2009 management made the strategic decision to complete a plan of arrangement that included the transfer of the Company's interests in its precious metals properties to a newly incorporated company, Candente Gold Corp. ("Candente Gold") in exchange for consideration that included shares in Candente Gold. The Company transferred to Candente Gold properties where the precious metal component was considered dominant or essential to making the project economic, based on then current metal prices and the Company's geological knowledge of the properties. On April 30, 2009 and on December 17, 2009 respectively, the Company completed the transfer of its interests in the El Oro property and its Peruvian silver-gold properties to Candente Gold (Note 7). The arrangement included a distribution of a portion of the Company's shares in Candente Gold to the Company's shareholders, and allows the Company to dedicate its resources to copper exploration and development, specifically the Cañariaco property. The arrangement also allowed the Company's shareholders to retain their Company shares and receive additional shares in Candente Gold.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon a number of factors, including the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of the properties, and on the potential profitable disposition in future of the Company's interests in such properties.

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

2. Summary of Significant Accounting Policies

These consolidated financial statements are prepared in U.S. dollars, unless otherwise noted, in accordance with generally accepted accounting principles in Canada ("Canadian GAAP").

(a) Principles of Consolidation

These consolidated financial statements include the accounts of Candente Copper's wholly-owned subsidiaries, Candente Vinland Inc. (inactive), Candente Resource (BVI) Corp., Canariaco Copper (BVI) Corp., Cañariaco Copper Peru S.A. (formerly Exploraciones Milenio S.A.) and Candente Copper Peru S.A. (formerly Compañía Minera Oro Candente S.A.). All significant intercompany transactions and balances have been eliminated on consolidation.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2010 and 2009
Expressed in U.S. Dollars, Unless Otherwise Noted

2. Summary of Significant Accounting Policies (continued)

(b) Use of Estimates

The presentation of consolidated financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and related notes. Management regularly reviews the estimates and assumptions that affect the consolidated financial statements, although actual results may be materially different from these estimates and assumptions. Areas where significant estimates and assumptions are required by management include the determination of impairment for capitalized mineral property expenditures, amortization and valuation of equipment, asset retirement obligations, future income taxes and the variables for use in calculating stock-based compensation.

(c) Impairment of Long-Lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value and is charged to the results of operations.

(d) Asset Retirement Obligations

Asset retirement obligations refer to the recognition of any statutory, contractual or other legal obligation, related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be determined. These obligations are measured initially at fair value and the resulting costs are capitalized as part of the carrying value of the related assets. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. These costs would be amortized to the results of operations over the life of the asset. As at December 31, 2010 and 2009, the Company has no asset retirement obligations.

(e) Foreign Currency Translation

The Company's primary currency of measurement and reporting is the U.S. dollar, its functional currency. Monetary assets and liabilities denominated in currencies other than the U.S. dollar ("Foreign Currencies") are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities denominated in Foreign Currencies are translated at the exchange rate in effect at the transaction date. Revenues and expenses denominated in Foreign Currencies are translated at the average rate in effect during the period, with the exception of depreciation and amortization which are translated at historical rates. Gains and losses arising from the translation of monetary assets and liabilities in Foreign Currencies are included in the results of operations.

(f) Future Income Taxes

Future income taxes are accounted for using the asset and liability method. Under this method, future income tax assets and liabilities are recognized based on differences between the financial statement carrying values of the existing assets and liabilities and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income during the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in the results of operations during the period in which the change is substantively enacted. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid, short-term money market instruments which, on acquisition, are redeemable within three months of the balance sheet date, and include accrued interest.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2010 and 2009
Expressed in U.S. Dollars, Unless Otherwise Noted

2. Summary of Significant Accounting Policies (continued)

(h) Marketable Securities

Marketable securities consist of common shares of a publicly-traded company and are classified as available-for-sale securities. These securities are initially recorded at cost and adjusted to fair value at the end of each reporting period with any such changes included in comprehensive income until the securities are sold or management determines that an other than temporary impairment in the value of the securities has occurred, at which time gains or losses are transferred into earnings (Note 4).

(i) Financial Instruments

Cash, cash equivalents, marketable securities, gold bullion and Candente Gold shares are measured at fair value at the end of each period with any resulting gains or losses recognized in operations, except in the case of marketable securities and Candente Gold shares, where gains or losses arising from changes in fair value are recorded as other comprehensive income and included in accumulated other comprehensive income in the Company's balance sheet until the investments are sold or management determines that other than temporary impairments in the value of the investments have occurred, at which time the accumulated gains or losses are transferred to earnings. Amounts receivable and shares receivable are recorded at amortized cost using the effective interest rate method, which upon their initial measurement is equal to their fair value. Subsequent measurement of receivables is at amortized cost, which usually corresponds to the amount initially recorded less any recoverability allowance. Accounts payable and accrued liabilities are measured at amortized cost using the effective interest rate method.

(j) Equipment

Equipment is recorded at cost and amortized on a declining-balance basis over their estimated useful lives, with only half of the amortization recognized in the year of acquisition, at the following rates: 20% for security equipment; 20% for camp and field equipment; 20% for office furniture and equipment; 30% for computer equipment; and 30% for vehicles. Leasehold improvements are recorded at cost net of recoveries and amortized on a straight-line basis over the term of lease agreements.

(k) Mineral Properties

Acquisition and exploration expenditures incurred for mineral properties, less recoveries in the pre-production stage such as property option payments received, are capitalized until these properties are put into commercial production, sold or abandoned or become impaired. General exploration expenditures are charged to the results of operations in the period incurred. Upon commencement of production, capitalized mineral property expenditures will be charged to the results of operations over the estimated life of the mine under the unit-of-production method. Capitalized mineral property expenditures relating to properties that are impaired are written down to their fair value in the period the impairment occurs.

Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values. The Company follows procedures to verify title for each of its mineral properties in accordance with industry standards and, to the best of its knowledge these mineral properties are in good standing. These procedures, however, will not necessarily prevent future challenges by third parties as to the validity of the Company's interests in its mineral properties.

(l) Stock-Based Compensation

The Company adheres to CICA Handbook Section 3870: "Stock-Based Compensation and Other Stock-Based Payments" ("Section 3870") which established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Section 3870 requires a fair value-based method of accounting for stock options granted to employees, including directors, and to non-employees.

(m) Transaction Costs

The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as "held for trading" are expensed as incurred; transaction costs for financial instruments classified as "available for sale" are netted against gross proceeds from related transactions.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
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Expressed in U.S. Dollars, Unless Otherwise Noted

2. Summary of Significant Accounting Policies (continued)

(n) Loss per Share

Basic loss per share is computed by dividing loss for the year by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding warrants is reflected in diluted earnings per share by application of the treasury stock method. Basic and diluted loss per share are the same as the effect of potential issuances of shares under warrants would be anti-dilutive.

3. Adoption of New Accounting Pronouncements

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new Canadian Institute of Chartered Accountants ("CICA") Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements." The adoption of Sections 1582 and, collectively, 1601 and 1602 provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 "Business Combinations" and International Accounting Standards ("IAS") 27 "Consolidated and Separate Financial Statements" respectively. The adoption of these new standards will not impact significantly the Company's consolidated financial statements.

4. Investments

Investments consist of marketable securities and gold bullion.

At December 31, 2010, marketable securities consist of 42,000 common shares of Orex Minerals Inc., following a 5:1 share consolidation in 2010 (2009: 210,000 pre-consolidation, or 42,000 post-consolidation). The shares were acquired by the Company through property option agreements at a total cost of \$47,715 (2009: \$47,715) with a market value of \$36,533 (2009: \$34,029).

At December 31, 2010 the Company held gold bullion worth \$425,542 (2009: \$326,422).

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2010 and 2009
Expressed in U.S. Dollars, Unless Otherwise Noted

5. Equipment

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Security equipment	32,620	21,903	10,717
Camp and field equipment	170,391	65,411	104,980
Office furniture and equipment	133,242	60,429	72,813
Computer equipment	191,565	154,944	36,621
Vehicles	143,207	115,011	28,196
Leasehold improvements	8,017	534	7,483
	<u>\$ 679,042</u>	<u>\$ 418,232</u>	<u>\$ 260,810</u>

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Security equipment	32,620	19,787	12,833
Camp and field equipment	170,391	52,599	117,792
Office furniture and equipment	133,242	57,745	75,497
Computer equipment	191,565	127,336	64,229
Vehicles	187,496	106,297	81,199
	<u>\$ 715,314</u>	<u>\$ 363,764</u>	<u>\$ 351,550</u>

6. Valued Added Tax Credits

Expenses incurred by the Company in Peru, including deferred 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 component of mineral properties. As at December 31, 2010 VAT tax credits in Peru were \$4,036,631 (2009: \$3,807,397).

7. Transfer of Silver and Gold Properties to Candente Gold and Investment in Candente Gold

During 2009 management made the strategic decision to complete a plan of arrangement (the "Arrangement") that included the transfer of the Company's interests in its precious metals properties to a newly incorporated company, Candente Gold, which was incorporated by the Company and Canaco Resources Inc. ("Canaco") on April 24, 2009. Candente Gold's focus is on exploration and development of precious metals projects in Latin America.

On April 30, 2009, the Company and Canaco transferred to Candente Gold their respective 50% interests in Minera CCM, S.A. de C.V., the Mexican company that holds an option on the El Oro gold property in Mexico, for consideration that included 5 million Candente Gold common shares (recorded at a nominal value of \$1) and a promissory note to each of the Company and Canaco. Each promissory note had a principal amount of Cdn\$1,300,000. The Company converted its promissory note into 3,250,000 Candente Gold shares and 1,625,000 Candente Gold warrants on December 31, 2009, recorded at the exchange value of \$1,239,157. The Candente Gold warrants have an exercise price of Cdn\$0.60 per common share to January 4, 2012. In connection with the transfer of the El Oro property the Company recorded an increase to deficit of \$146,073.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2010 and 2009
Expressed in U.S. Dollars, Unless Otherwise Noted

7. Transfer of Silver and Gold Properties to Candente Gold and Investment in Candente Gold (continued)

On December 17, 2009, the Company transferred its Peruvian silver and gold properties to Candente Gold. In connection with this transaction the Company received Court, regulatory and shareholder approval of the Arrangement.

On January 6, 2010, the Company and Candente Gold implemented the final steps of the Arrangement, which included the issuance of 13,500,000 shares of Candente Gold to the Company for the transfer of the Company's Peruvian silver-gold properties and the distribution by the Company to its shareholders of a total of 16,213,627 Candente Gold shares as a return of capital, on the basis of one Candente Gold share distributed for every five shares of the Company held by each shareholder. The transfer of the Peruvian silver-gold properties was valued at \$4,220,142. Also in connection with the transfer of these properties, Candente Gold granted a copper net smelter return royalty to the Company. The properties were transferred at their carrying value of \$4,663,250.

On January 4, 2010, Candente Gold's common shares were listed on the TSX. Adjustments to the fair value of the shares are required at each balance sheet date. Given that the Company's investment in Candente Gold is designated as "available for sale" for accounting purposes, which means it is an investment that is not held for trading, gains or losses arising from changes in fair value are recorded in accumulated other comprehensive income (loss) in the Company's balance sheet until the investment is sold or management determines that an other than temporary impairment in the value of the investment has occurred, at which time gains or losses are transferred into earnings. At December 31, 2010 Candente Gold's closing share price was Cdn\$1.01 and the fair value of the Company's 5,536,373 shares in Candente Gold was \$5,590,619. The Company recorded other comprehensive income of \$4,149,592 for the increase in fair value of this investment during 2010.

8. Mineral Properties

At December 31, 2010, mineral properties are comprised of interests in mineral claims and mining concessions located in Peru. These interests are held by the Company, or through option agreements under which the Company has a right to acquire an interest in mineral properties.

Refer to the Schedule of Mineral Properties for a summary of capitalized mineral property expenditures incurred during 2010 and 2009 by major expenditure type.

Cañariaco Property

The Company has a 100% interest in 21 mineral claims (2009: 21 mineral claims) comprising approximately 17,200 hectares (2009: 17,200 hectares) located in Lambayeque, Peru. Refer to the Consolidated Schedule of Mineral Properties for a summary of capitalized mineral property expenditures by major expenditure type for the Cañariaco Property.

Other Peruvian Properties

Other Peruvian properties are: Jehuamarca, El Naranjo, Yasica, El As de Zinc, Las Pavas, Los Acos, La Grama, La Cuesta, Miraflores, La Huaca (Los Cedros) and Arikepay (Cerro Colorado). The Company has a 100% interest in a total of 27 claims (2009: 27 claims) comprising approximately 20,200 hectares (2009: 20,200 hectares) located throughout Peru.

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9. Related Party Transactions

During 2010, a total of \$178,941 (2009: \$91,994) for geological consulting services rendered was paid or accrued to corporations controlled by various directors and officers and to an individual director of the Company. These amounts are included as a component of deferred exploration costs.

During 2010, \$199,225 (2009: \$142,940) was paid as salaries to various officers of the Company and \$98,130 (2009: \$65,872) was paid or accrued to corporations controlled by various officers and a director of the Company for management services rendered. These amounts are included in general and administrative expenses.

Included in accounts receivable at December 31, 2010 is \$5,520 (2009: \$2,455) owed to the Company by certain officers for expense advances. Included in accounts payable and accrued liabilities at December 31, 2010 is \$71,539 (2009: \$68,975) owed by the Company to certain officers and directors of the Company for services rendered and reimbursement of expenses.

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

At December 31, 2010, a director and officer and three officers of the Company acted as a director and officer and as officers of Candente Gold (Note 7). During the years ended December 31, 2010 and 2009, the Company and Candente Gold shared certain office and administrative expenses and the Company made certain payments on behalf of Candente Gold. As of December 31, 2010, a total of \$112,716 was due from Candente Gold to the Company for reimbursement of expenses (2009: \$278,835) and \$7,367 was due to Candente Gold for its share of proceeds from an option exercise in December 2010 (2009: \$nil).

10. Share Capital

a) Authorized: Unlimited number of common shares without par value

b) Issued and Outstanding:

	Number of Common Shares	Amount
Balance at December 31, 2008	80,943,127	\$ 52,051,699
Issued for mineral property acquisition (e)	125,000	51,788
	125,000	51,788
Balance at December 31, 2009	81,068,127	\$ 52,103,487
Issued for cash:		
Private placement, net of issue costs of \$2,485,586 (d)	17,796,196	3,575,109
Exercise of warrants	1,393,525	683,167
Exercise of stock options	913,750	407,141
Distribution of Candente Gold shares as return of capital (Note 7)	-	(4,220,142)
Fair value of stock options exercised	-	259,839
Fair value of warrants exercised	-	286,279
	20,101,471	991,393
Balance at December 31, 2010	101,169,598	\$ 53,094,880

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10. Share Capital (continued)

(c) Return of Capital

On January 6, 2010, the Company distributed to its shareholders as a return of capital a total of 16,213,627 Candente Gold shares (Note 7). The distribution of the shares was valued at \$4,220,142.

(d) Private Placement

On March 9, 2010, the Company completed a private placement (the "Offering") of 12,938,011 units ("Units") and 4,856,185 special warrants ("Special Warrants"), for gross proceeds of \$6,060,695 (Cdn\$6,227,969).

The Units and Special Warrants were sold for a price of Cdn\$0.35 each. Each Unit consisted of one common share in the capital of the Company ("Share") and one half of one share purchase warrant ("Warrant"). Each whole Warrant is exercisable for the 3 year period from the date of closing to purchase one Share at a price of Cdn\$0.50 per Share.

The Warrants issued were valued by the Company at \$1,325,501 and the Warrants attached to the Special Warrants were valued by the Company at \$497,517 (Note 12).

The \$1,654,015 (Cdn\$1,699,665) in gross proceeds from the sale of the Special Warrants was deposited into and held in escrow pending shareholder approval, which was obtained at the Company's annual general meeting held on May 13, 2010. On May 14, 2010 each Special Warrant was automatically converted into one Unit at no additional cost to the holder, and the net proceeds of \$1,586,411 were released to the Company from escrow.

In connection with the Offering, the Company paid a 6% cash commission of \$412,047 and issued 661,876 broker/finder warrants ("Broker Warrants") and 242,602 special broker/finder warrants ("Special Broker Warrants") on all of the brokered portions of the offering and on part of the non-brokered portion of the offering. Each Broker Warrant is exercisable for a period of 36 months from closing to purchase one share at a price of Cdn\$0.45 per share. Each of the Special Broker Warrants was automatically converted into one Broker Warrant on May 14, 2010. The Broker Warrants and Special Broker Warrants were valued by the Company at \$192,523.

(e) Mineral Properties

During 2009, the Company issued 125,000 common shares at a price of Cdn\$0.44 per share for a total value of Cdn\$55,000 (\$51,788) relating to mineral properties. The shares were recorded as an increase to deficit as they were issued in connection with the Company's remaining obligations with respect to the El Oro property.

(f) Exercise of Stock Options and Warrants

During 2010, the Company received proceeds of \$683,167 and \$407,141 from the exercise of stock purchase warrants and stock purchase options, respectively. A total of \$259,839 and \$286,279 was transferred from contributed surplus to share capital on exercise of stock options and warrants, respectively.

11. Stock Options

The Company has a stock-based compensation plan (the "Plan") that allows for the issuance of options up to a maximum of 15% of the Company's issued and outstanding common shares at any given time. At December 31, 2010, the Company had options outstanding to purchase a total of 15,175,439 of its common shares, and was entitled to issue options to purchase 6,948,439 additional common shares under the Plan.

The purpose of the Plan is to attract, retain and motivate directors, officers, key employees and consultants of the Company and to advance the interests of the Company by providing eligible persons with the opportunity to acquire an increased proprietary interest in the Company. Under the Plan, the grant of all stock options, and vesting provisions, if any, are at the discretion of the Company's board of directors.

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11. Stock Options (continued)

The term of any stock option granted may not exceed ten years and the exercise price may not be lower than the closing price of the Company's shares on the last trading day immediately preceding the date of grant. In general, stock options granted under the Plan have a term of five years with vesting provisions over a twelve month period.

A continuity summary of the stock options granted under the Plan is presented below:

	Years Ended December 31,			
	2010		2009	
	Number of Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)	Number of Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)
Balance, beginning of year	8,721,750	\$0.87	7,901,500	\$1.13
Granted	3,322,000	\$0.58	3,270,000	\$0.42
Exercised	(913,750)	\$0.59	-	-
Expired	(530,000)	\$0.70	(1,904,750)	\$0.88
Forfeited	(2,373,000)	\$1.47	(545,000)	\$1.95
Balance, end of year	8,227,000	\$0.62	8,721,750	\$0.87

A summary of stock options outstanding and exercisable at December 31, 2010 is presented below:

Range of Exercise Prices per Share (Cdn\$)	Stock Options Outstanding			Stock Options Exercisable	
	Stock Options Outstanding to Purchase Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)	Weighted- Average Remaining Contractual Life (Years)	Stock Options Exercisable to Purchase Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)
\$0.33 to \$0.42	5,462,000	\$0.42	4.08	5,387,000	\$0.42
\$0.70 to \$0.85	1,832,500	\$0.80	2.86	1,738,750	\$0.81
\$1.40 to \$1.55	862,500	\$1.41	2.67	562,500	\$1.40
\$1.80 to \$1.82	70,000	\$1.81	2.90	45,000	\$1.80
	8,227,000	\$0.62	3.65	7,733,250	\$0.59

Stock options outstanding expire between January 2011 and December 2015.

The fair value-based method of accounting is applied to stock options granted to employees, including directors, and non-employees. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Years Ended December 31,	
	2010	2009
Risk-free interest rate	2.29%	2.33%
Expected stock price volatility	92.18%	95.96%
Expected life	3.84 years	3.45 years
Expected dividend yield	-	-
Weighted-average fair value per share under options granted	\$0.36	\$0.28

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12. Share Purchase Warrants

Share purchase warrants were issued as part of a private placement of units or as agent's warrants relating to private placements. A continuity summary of the share purchase warrants issued is presented below:

	Years Ended December 31,			
	2010		2009	
	Number of Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)	Number of Common Shares	Weighted- Average Exercise Price (Cdn\$/Share)
Balance, beginning of year	4,364,450	\$1.98	4,925,042	\$1.91
Issued	9,801,574	\$0.50	-	-
Exercised	(1,393,525)	\$0.50	-	-
Expired	(4,364,450)	\$1.98	(560,592)	\$1.37
Balance, end of year	8,408,049	\$0.50	4,364,450	\$1.98

4,364,450 share purchase warrants expired in June 2010. The remaining 8,408,049 warrants expire in March 2013.

The fair value-based method of accounting is applied to the issuance of share purchase warrants on the date of issuance using the Black-Scholes model. The weighted-average fair value of the warrants issued in 2010 is Cdn\$0.21 calculated using the following weighted-average assumptions: 1.19% risk-free interest rate; expected stock price volatility of 97.64%; expected life of 2.07 years; and no expected dividend yield.

13. Contributed Surplus

A continuity summary of contributed surplus is presented below:

	Years Ended December 31,	
	2010	2009
Balance, beginning of year	\$ 8,194,464	\$ 7,103,443
Stock-based compensation as a result of stock options vested	897,375	1,091,021
Stock-based compensation as a result of share purchase warrants issued	2,015,541	-
Value of stock options assigned to share capital upon exercise of stock options	(259,839)	-
Value of stock options assigned to share capital upon exercise of warrants	(286,279)	-
Balance, end of year	\$ 10,561,262	\$ 8,194,464

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14. Accounting for Financial Instruments

Fair Values

The Company's financial instruments include cash and cash equivalents, investments (marketable securities and gold bullion), amounts receivable, shares receivable, investment in Candente Gold, accounts payable and accrued liabilities. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The following table provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2010:

	Loans and receivables \$	Available-for- sale \$	Held-for-trading \$	Other financial liabilities \$	Total fair value \$
Cash and cash equivalents	-	-	1,690,908	-	1,690,908
Marketable securities	-	36,533	-	-	36,533
Gold bullion	-	-	425,542	-	425,542
Amounts receivable	480,479	-	-	-	480,479
Investment in Candente Gold	-	5,590,619	-	-	5,590,619
Accounts payable & accrued liabilities	-	-	-	594,173	594,173

The Company has made the following classifications for its financial instruments:

Cash and cash equivalents and gold bullion are classified as "Assets held for trading" and are measured at fair value at the end of each period with any resulting gains or losses recognized in operations. Amounts receivable and shares receivable are classified as "Receivables and loans" and are recorded at amortized cost using the effective interest rate method, which upon their initial measurement is equal to their fair value. Subsequent measurement of receivables is at amortized cost, which usually corresponds to the amount initially recorded less any recoverability allowance. Marketable securities have been designated as "Available-for-sale." Accordingly, gains or losses arising from changes in fair value are recorded as Other Comprehensive Income and included in Accumulated Other Comprehensive Income in the Company's Balance Sheet until the investments are sold or management determines that other than temporary impairments in the value of the investments have occurred, at which time the accumulated gains or losses are transferred to earnings. Accounts payable and accrued liabilities are classified as "Other financial liabilities" and are measured at amortized cost using the effective interest rate method.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly and
- Level 3 – Inputs that are not based on observable market data.

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14. Accounting for Financial Instruments (continued)

At December 31, 2010, the Company's financial instruments which are measured at fair value on a recurring basis were cash and cash equivalents, marketable securities, gold bullion and shares in Candente Gold. These financial instruments were classified as "level 1" instruments.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. Cash deposits are maintained with financial institutions of reputable credit in Canada and Peru and are redeemable on demand. Most of the Company's cash and cash equivalents are held in Canada and invested in low-risk liquid instruments such as Guaranteed Investment Certificates ("GIC") issued by British Columbia Credit Unions. The GICs are insured on a no-limit basis under the Credit Union Deposit Insurance Corporation. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or will engage in negotiations to extend terms with creditors. The Company manages liquidity by continuously monitoring and forecasting cash flows. As at December 31, 2010, the Company's liabilities were comprised of accounts payable and accrued liabilities all due with maturities of less than one year.

Foreign Exchange Risk

The Company faces certain foreign exchange risk as its general and administrative expenses and deferred exploration expenses are incurred either in Canadian dollars or Peru soles, and these countries' currencies may appreciate or depreciate against the US dollar, the Company's reporting currency. It also has exposure risk with respect to amounts due for property maintenance payments, as these amounts are owed in currencies other than the US dollar. The Company's major source of cash proceeds is from the issuance of shares and traditionally these funds are received in Canadian dollars. The Company has chosen not to actively manage its foreign exchange risk. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. As at December 31, 2010, with other variables unchanged, a \$0.01 strengthening (weakening) of the Canadian dollar against the US dollar would have a \$149,792 effect (2009: \$97,877) on net loss. There would be a nominal effect on other comprehensive loss (income).

Interest Rate Risk

Included in the results of operation of the Company is interest income earned on Canadian Dollar cash deposits. Interest income is not material to the Company. The Company has no outstanding debt subject to interest. Accordingly the Company's opinion is that there currently is no interest rate risk for the Company.

Other Risks

The Company faces certain commodity price risk from holding investments in gold bullion, however as at December 31, 2010, with other variables unchanged, a \$100/oz change in the price of gold would have had a nominal effect on net loss (2009: nominal effect). The Company also faces certain risk from holding investments in marketable securities, although this risk is considered to be nominal by the Company.

15. Capital Risk Management

The Company manages as capital its share capital, cash and cash equivalents, accounts payable and accrued liabilities and to a lesser extent contributed surplus. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds operations and exploration activities from the issuance of shares generally through private placements. On occasion, the Company issues shares to make property payments. The Company also issues stock options to incentivize directors, employees, officers and consultants.

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15. Capital Risk Management (continued)

The Company prepares an annual budget for exploration and operations, and initiates equity offerings or pursues strategic partnerships to ensure it is appropriately funded. The Company attempts to take advantage of favourable equity market conditions to reduce the cost and dilutive effect of equity. If market conditions are not favourable, the Company will extend, delay or cancel exploration programs and reduce discretionary spending.

Surplus cash is invested in low-risk liquid instruments such as secured GICs. There were no changes to the Company's approach to capital management during the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

16. Income Taxes

A reconciliation of income taxes at combined statutory rates with the reported taxes and is presented below:

	Years Ended December 31,	
	2010	2009
Loss for the year	\$ (1,737,620)	\$ (1,348,379)
Income tax recovery at combined basic tax rate	495,222	404,514
Effect of change in valuation allowance	2,838	(196,720)
Effect of non-deductible items	(496,604)	(206,935)
Other	(1,456)	(859)
Income tax recovery	\$ -	\$ -

The significant tax effects of temporary differences and non-capital loss carry-forwards resulting in future income tax assets are presented below:

	December 31,	
	2010	2009
Future income tax assets (liabilities):		
Non-capital loss carry-forwards	\$ 5,357,958	\$ 4,644,244
Mineral properties	9,816,297	9,396,054
Unrealized gains on investments	(1,183,000)	(3,820)
Equipment	63,821	56,854
Share issue costs	192,364	164,067
	14,247,440	14,257,399
Valuation allowance	(14,247,440)	(14,257,399)
Future income tax assets	\$ -	\$ -

At December 31, 2010, the Company had non-capital loss carry-forwards of approximately \$13.1 million (2009:\$10.4 million) and had resource related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada. These losses, if not utilized, will expire annually and are available for use up to the 2029 taxation year.

The Company also had net operating loss carry-forwards for tax purposes of approximately \$5.5 million (2009: \$5 million) and resource related amounts totaling approximately \$30.7 million (2009: \$28.6 million) available, subject to certain restrictions, for deduction against future taxable income in Peru.

Management believes that sufficient uncertainty exists regarding the realization of certain future income tax assets and that a valuation allowance is required.

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17. Segmented Information

	December 31,	
	2010	2009
Total assets:		
Canada	\$ 8,235,366	\$ 7,172,717
Peru	40,716,918	36,665,782
	\$ 48,952,284	\$ 43,838,498

18. Commitments and Contingencies

The Company has committed to payments under operating leases for the rental of office space, warehouse facilities and accommodations which expire from June 2011 to August 2015. The future minimum lease payments are as follows:

Fiscal Year	
2011	\$ 144,401
2012	78,568
2013	78,568
2014	78,568
2015	55,653
	\$ 435,758

19. Supplementary Cash Flow Information

	December 31,	
	2010	2009
Cash received during the year for interest	\$ 18,053	\$ 15,007

Cash and cash equivalents consist of:

	December 31,	
	2010	2009
Cash	\$ 390,306	\$ 308,834
Cash equivalents	1,300,602	683,566
	\$ 1,690,908	\$ 992,400

At December 31, 2009, cash equivalents consist solely of Guaranteed Investment Certificates ("GIC") issued by British Columbia Credit Unions. The GICs are insured on a no-limit basis under the Credit Union Deposit Insurance Corporation and can be converted into cash at anytime at the option of the Company.

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19. Supplementary Cash Flow Information (continued)

The significant non-cash transactions during the year ended December 31, 2010 were:

- a) The Company distributed to its shareholders as a return of capital a total of 16,213,627 Candente Gold shares (Note 7). The distribution of the shares was valued at \$4,220,142.
- b) The Company recorded stock-based compensation of \$897,376, calculated using the Black-Scholes pricing model.
- c) The Company recorded share issuance costs of \$2,015,541, calculated using the Black-Scholes pricing model, for the fair value of warrants and broker warrants issued in connection with a private placement (Note 10(d)).
- d) At December 31, 2010, net exploration costs included in accounts payable and accrued liabilities were \$448,485.

The significant non-cash transactions during the year ended December 31, 2009 were:

- a) The Company issued 125,000 common shares valued at \$51,788 in connection with the Company's final obligation with respect to the El Oro property (Note 10(e)).
- b) The Company recorded stock-based compensation of \$1,091,021, calculated using the Black-Scholes pricing model.
- c) At December 31, 2009, net exploration costs included in accounts payable and accrued liabilities were \$1,098,300.

20. Subsequent Events

On February 17, 2011, the Company closed a financing by way of a bought deal private placement (the "Bought Deal Offering") with a syndicate of underwriters (the "Underwriters") for total gross proceeds of Cdn\$26,969,800. The Company issued an aggregate of 13,156,000 common shares at a purchase price of Cdn\$2.05 per share. In addition to the Bought Deal Offering, the Company completed a non-brokered private placement issuing 1,563,415 shares at a price of Cdn\$2.05 per share, for gross proceeds of Cdn\$3,205,000 (the "Non-Brokered Offering").

In consideration for services with respect to the completion of the Bought Deal Offering, the Company paid a cash commission equal to \$1,348,490 or 5% of the gross proceeds of the sale of shares in the Bought Deal Offering. In consideration for services with respect to the closing of the Non-Brokered Offering, the Company paid a cash commission equal to 5% of the gross proceeds of the sale of shares in the Non-Brokered Offering to an arm-length party.

The net proceeds of the Bought Deal Offering and Non-Brokered Offering will be used for the advancement of the Cañariaco Norte copper project, exploration, and general corporate purposes. The securities issued under the offerings are subject to a four month hold period in Canada.