

Candente Gold Corp. (CDG-TSX)

The following editorial is extracted from the May 2010-2 Issue

Initiating Coverage

Candente Gold is confirming and expanding an historic gold-silver resource on a project in Mexico and is exploring several highly prospective earlier stage gold properties in Peru.

Candente Gold was spun-out from Candente Copper (previously Candente Resources) in January, 2010 taking the gold properties in Mexico and Peru. Candente Copper (DNT-TSX) kept the copper properties, including the Canariaco Norte deposit, which has a measured and indicated resource of 6.46 billion pound copper, 1.43 million ounce gold and 36 million ounce silver.

President Joanne Freeze, who was responsible for the success of Candente Resources and the delineation of the Canariaco deposit, will be devoting the majority of her attention to Candente Gold. She has teamed up with Director Peter Megaw, a PhD geologist and specialist in Mexican precious metal deposits. Dr. Megaw has been a major contributor to the success of Mag Silver (MAG-TSX). Those two are backed by a strong geological team.

Candente Gold is now focused on its El Oro property in Mexico. Luisman (now a subsidiary of Goldcorp) in 1992 outlined 760,000 ounces of gold and 9.75 million ounces of silver (those figures are non-compliant historic estimates).

Candente Gold has an option to earn a controlling interest in the El Oro property from Goldcorp. Candente can earn 50% by spending \$5 million by November 2011. By spending an additional \$5 million and issuing 1 million shares before November 2013 they can boost their interest to 70%. Goldcorp can stay at 30% by participating in future expenditures, or dilute to a 6.5% net profits interest. For the exploration area (that is, outside of the historic mining area), Goldcorp can also earn-back to 70% by spending 2.5 times the amount Candente spends. That back-in right does not apply to the historic mining area.

The El Oro property comprises 149 square kilometers located 120 kilometers northwest of Mexico City. It is accessible by paved highway. The town of El Oro was formed from a

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gold rush in the 1800's and has a mining friendly population and extensive infrastructure and services including access to power and labor.

The El Oro property hosts a district scale epithermal gold-silver vein system with over 50 known veins. Historic production of 6.4 million ounces of gold and 74 million ounces of silver came from only two of these known veins. The San Rafael vein has the most extensive underground workings and is where the historic resource is located. In the late 1800's to early 1900's three companies controlled the 2.4 kilometer long vein and work was conducted only to depths of 250 meters. Mining stopped in 1929 due to limited pumping capabilities and a gold price fixed at \$29.

Candente Gold plans to drill the deposit to a depth of 500 meters below the historic mine workings. Drilling will be done from underground and span a 1.7 kilometer extent of the vein. The 9,000 meter drill program is about to get underway. The initial target is to confirm and expand on the gold-silver zones located in the area of the historic workings. Those zones could be developed through the existing workings and therefore brought to production fairly quickly.

The geological team is also investigating a secondary target that could be much more significant than the present resource potential. Dr. Megaw has seen geological evidence that

another mineralized system is present beneath the area of the present workings. More than just an extension to depth, his belief is that there was a separate mineralizing event. Further work will be done on that hypothesis in parallel with the present drilling, with plans for deep drill testing planned after establishing the resource near the current workings.

Surface exploration drilling is underway now on other targets at El Oro. Initial holes have been completed on the Andrea target located 3 kilometers northeast of the historic San Rafael vein. The Andrea target is a low sulfidation epithermal vein and breccia system that was discovered by Candente through geophysical work. Drilling appears to have intersected sulfide mineralization, and assays are pending.

Candente Gold also holds a 100% interest in 10 early to mid stage exploration properties in Peru. All of the properties host epithermal vein-style targets, with at least four projects ready for drilling.

Candente Gold's primary objective is to outline resources within reach of the underground workings within the San Rafael vein, while simultaneously testing other veins and the deeper target on the extensive El Oro property. With a strong exploration team at work and a senior gold miner as a partner, the project should proceed quickly, with the share price matching progress on the project.



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Shares Outstanding: 49.5 million
Shares Fully Diluted: 68 million
Market Cap: C\$24.75 million
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