

# **CANDENTE GOLD CORP.**

Condensed Consolidated Interim Financial Statements  
Quarter and Nine Months Ended December 31, 2011

**(UNAUDITED)**

(Expressed in U.S. Dollars)

## **NOTICE**

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

# CANDENTE GOLD CORP.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

### UNAUDITED

(Expressed in U.S. Dollars)

	December 31, 2011	March 31, 2011
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	2,923,986	8,643,417
Trade and other receivables	573,671	446,558
Prepaid expenses and deposits	61,361	79,832
<b>Total current assets</b>	<b>3,559,018</b>	<b>9,169,807</b>
<b>Non-current assets</b>		
Equipment	98,288	97,889
Value-added tax receivable (Note 4)	50,407	28,899
Unproven mineral interests (Note 3)	11,532,211	11,081,804
<b>TOTAL ASSETS</b>	<b>15,239,924</b>	<b>20,378,399</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables	179,124	453,515
Promissory note payable	-	977,165
<b>TOTAL LIABILITIES</b>	<b>179,124</b>	<b>1,430,680</b>
<b>EQUITY</b>		
Common shares (Note 5)	22,341,682	21,938,365
Other reserves (Note 5)	4,699,531	4,589,596
Deficit	(11,672,658)	(7,859,129)
Accumulated other comprehensive income	(307,755)	278,887
<b>TOTAL EQUITY</b>	<b>15,060,800</b>	<b>18,947,719</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15,239,924</b>	<b>20,378,399</b>

Nature of operations (Note 1)

"Andres Milla"

Director

"Larry Kornze"

Director

See accompanying notes to the condensed consolidated interim financial statements

# CANDENTE GOLD CORP.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

### UNAUDITED

(Expressed in U.S. Dollars)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2011	2010	2011	2010
		(Note 8)		(Note 8)
	\$	\$	\$	\$
<b>GENERAL AND ADMINISTRATIVE</b>				
Depreciation	2,835	531	8,800	1,591
Audit and tax advisory	3,893	5,426	2,178	10,220
Bank charges	825	2,979	4,741	6,586
Corporate development	6,208	16,912	33,332	103,339
Legal fees	2,655	13,383	38,381	34,502
Management fees, salaries and benefits	54,383	64,509	245,547	205,576
Office, rent and miscellaneous	29,385	45,497	121,112	118,343
Travel and accommodations	5,752	11,302	32,606	34,806
Regulatory and filing fees	4,298	16,230	52,500	81,395
Shareholder communications	12,350	12,386	35,909	33,330
Share-based payment expense (Note 5)	19,503	161,798	108,883	1,065,244
Interest and other income	(2,938)	(12,382)	(41,132)	(37,887)
Foreign exchange loss (gain)	125,671	79,034	(252,115)	107,893
	(264,820)	(417,605)	(390,742)	(1,764,938)
<b>EXPLORATION</b>				
Depreciation	4,568	4,226	13,704	8,337
Assays	24,043	36,085	97,660	85,919
Administration	99,099	253,921	330,378	564,756
Camp, field supplies and travel	51,714	214,524	159,202	517,680
Drilling	384,364	578,608	1,796,041	1,260,230
Equipment maintenance and rental	25,303	14,976	88,549	31,396
Field support and personnel	123,562	21,669	424,193	72,495
Geological and geophysical	183,863	107,622	513,060	406,081
	(896,516)	(1,231,631)	(3,422,787)	(2,946,894)
<b>Net loss</b>	(1,161,336)	(1,649,236)	(3,813,529)	(4,711,832)
Other comprehensive income (loss)				
Cumulative translation adjustment	145,761	128,133	(586,642)	66,423
	145,761	128,133	(586,642)	66,423
<b>Comprehensive loss</b>	(1,015,575)	(1,521,103)	(4,400,171)	(4,645,409)
Loss per common share:				
Basic and diluted	(0.02)	(0.04)	(0.07)	(0.10)
Weighted average number of shares outstanding:				
Basic and diluted	61,170,412	50,303,841	61,140,296	49,971,008

See accompanying notes to the condensed consolidated interim financial statements

# CANDENTE GOLD CORP.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

### UNAUDITED

(Expressed in U.S. Dollars)

	Common Shares Number of shares	Amount	Other reserves	Deficit during the exploration stage	Other Comprehensive Income (Loss)	Total Shareholders Equity
<b>Balance on April 1, 2010</b>	49,578,327	15,491,030	2,028,439	(1,619,500)	-	15,899,969
Common shares issued for:						
Mineral right interests acquisition	530,000	307,847	-	-	-	307,847
Exercise of warrants	362,500	212,643	(53,512)	-	-	159,131
Exercise of share options	172,750	123,616	-	-	-	123,616
Transfer to common shares on exercise of warrants	-	53,512	-	-	-	53,512
Share-based compensation expense	-	-	1,065,244	-	-	1,065,244
Net loss	-	-	-	(4,711,832)	-	(4,711,832)
Cumulative translation adjustment	-	-	-	-	66,423	66,423
<b>Balance on December 31, 2010</b> (Note 8)	50,643,577	16,188,648	3,040,171	(6,331,332)	66,423	12,963,910
<b>Balance on April 1, 2011</b>	60,644,547	21,938,365	4,589,596	(7,859,129)	278,887	18,947,719
Common shares issued for:						
Mineral right interests acquisition	30,000	25,000	-	-	-	25,000
Financing	400,000	296,754	14,428	-	-	311,182
Exercise of warrants	85,713	66,762	(13,374)	-	-	53,388
Exercise of share options	14,500	14,801	-	-	-	14,801
Options vested	-	-	108,881	-	-	108,881
Net loss	-	-	-	(3,813,529)	-	(3,813,529)
Cumulative translation adjustment	-	-	-	-	(586,642)	(586,642)
<b>Balance on December 31, 2011</b>	61,174,760	22,341,682	4,699,531	(11,672,658)	(307,755)	15,060,800

See accompanying notes to the condensed consolidated interim financial statements.

# CANDENTE GOLD CORP.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

### UNAUDITED – PREPARED BY MANAGEMENT

(Expressed in U.S. Dollars)

CASH PROVIDED BY (USED IN):	Nine months ended December 31,	
	2011	2010
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(3,813,529)	(4,711,832)
Items not affecting cash:		
Amortization	22,504	9,928
Share-based payments	108,881	1,065,244
Changes in non-cash working capital items:		
Increase in trade and other receivables	(127,113)	(334,200)
Decrease in prepaid expenses and deposits	18,471	34,068
Decrease in trade and other payables	(274,391)	79,945
Cash used in operating activities	(4,065,177)	(3,856,847)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(25,203)	(92,844)
Value added tax paid	(21,508)	(15,833)
Acquisition of mineral interests	(454,219)	(476,796)
Cash used in investing activities	(500,930)	(585,473)
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares for:		
Sale of common shares	311,182	-
Exercise of warrants	53,388	212,643
Exercise of stock options	14,801	123,616
Promissory note repayment	(977,165)	(333,524)
Cash used in financing activities	(597,794)	2,735
Net change in cash and cash equivalents	(5,163,901)	(4,439,585)
Effect of exchange rate changes on cash	(555,530)	89,807
Cash and cash equivalents at beginning of period	8,643,417	6,944,999
Cash and cash equivalents at end of period (Note 7)	2,923,986	2,595,221

Supplemental cash flow information (Note 7)

See accompanying notes to the condensed consolidated interim financial statements

---

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT

Expressed in U.S. Dollars, Unless Otherwise Noted

---

## 1. CORPORATE INFORMATION

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

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

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

As of December 31, 2011, the Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses of \$11,672,658 (March 31, 2011 - \$7,859,129) and expects to incur further losses in the development of its business, all of which cast substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon the Company obtaining additional equity and/or debt financing and/or new strategic partners. Failure to obtain future financing and/or strategic partnerships and the necessary permits could result in the delay or indefinite postponement of further exploration of the Company’s properties and may result in the Company not meeting any of its operational and capital requirements.

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

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

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

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

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

These consolidated interim financial statements were authorized for issue by the board of directors on February 12, 2012.

---

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT  
Expressed in U.S. Dollars, Unless Otherwise Noted

---

## 2. BASIS OF PRESENTATION

### (a) Statement of compliance

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

The Company started preparing IFRS interim condensed consolidated financial statements as of April 1, 2011 as part of the period covered by the Company’s first IFRS consolidated annual financial statements for the year ending March 31, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

These condensed consolidated interim financial statements do not include all the necessary annual disclosure in accordance with IFRS and should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended March 31, 2011 and the rules of first-time adoption as set out in IFRS 1, First Time Adoption of IFRS. In preparing the Company’s first IFRS financial statements, the transition rules have been applied to the amounts previously reported under Canadian GAAP.

### (b) Basis of presentation

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

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

### (c) Adoption of new and revised standards and interpretations

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

The following is a brief summary of the new standards:

#### IFRS 9 – Financial instruments - classification and measurement

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

#### IFRS 10 – Consolidation

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

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT

Expressed in U.S. Dollars, Unless Otherwise Noted

## IFRS 11 - Joint Arrangements

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

## IFRS 12 – Disclosure of Interests in Other Entities

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

## IFRS 13 - Fair Value Measurement

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

## Amendments to Other Standards

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

### 3. UNPROVEN MINERAL INTERESTS

At December 31, 2011, unproven mineral interests were comprised of various early-stage exploration interests in mineral claims and mining concessions located in Mexico and Peru. These interests are held by the Company, or through option agreements under which the Company, directly or through a joint venture arrangement, has a right to acquire an interest in mineral properties.

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

The following are the capitalized mineral property acquisition costs:

	El Oro	Peruvian properties	Total
	\$	\$	\$
Balance, April 30, 2010	6,706,836	3,299,490	10,006,326
Acquisition costs and payments	479,769	287,279	767,048
Exchange differences	1,685	-	1,685
Balance, December 31, 2010	7,188,290	3,586,769	10,775,059
Balance, March 31, 2011	7,465,374	3,616,430	11,081,804
Acquisition costs and payments	120,254	358,965	479,219
Exchange differences	(28,812)	-	(28,812)
Balance, December 31, 2011	7,556,816	3,975,395	11,532,211

---

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT

Expressed in U.S. Dollars, Unless Otherwise Noted

---

## Transfer of Properties

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

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

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

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

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

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

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

Assets acquired:	\$
Mineral properties <sup>2</sup>	3,299,490
	<u>3,299,490</u>
Consideration:	
Cash	241,240
Shares issued	3,058,250
	<u>3,299,490</u>

<sup>2</sup> Fair value of the Peruvian properties (equivalent to Cdn\$3,500,000 at the time of transfer)

## El Oro

On May 5, 2006, CCM, Candente Copper and Canaco entered into a letter agreement (the "2006 Agreement") with Luismin, S.A. de C.V. ("Luismin") and Desarrollos Mineros San Luis, S.A. de C.V. ("Desarrollos"), subsidiaries of Goldcorp Inc., that provided CCM with an option (the "Option") to acquire up to a 70% undivided interest in El Oro, subject to a 40% back-in right, in 24 mining concessions comprising approximately 14,950

---

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT  
Expressed in U.S. Dollars, Unless Otherwise Noted

---

hectares located in the states of Mexico and Michoacan, Mexico. Certain exploration and mining concessions included in El Oro are subject to net smelter returns royalties. The Option is comprised of an option to initially acquire 50% of El Oro (the "First Option") and then a further 20% (the "Second Option"). The issuance of shares and the completion of certain levels of exploration expenditures on El Oro are required to exercise the Option.

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

- Commit to issue to Luismin 1,000,000 Candente Gold shares at various dates on or before November 30, 2011 (completed);
- Commit to cumulative exploration expenditures totaling \$5,000,000 to be completed on or before November 30, 2011 (completed);

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

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

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

#### 4. VALUED ADDED TAX CREDITS

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

The VAT is not currently refundable to the Company, but can be used in the future to offset amounts due to the Peruvian taxation authorities by the Company resulting from VAT charged to clients on future sales. The VAT in Peru has been classified as a non-current asset. As at December 31, 2011, VAT tax credits in Peru were \$50,407 (March 31, 2011: \$28,899).

#### 5. CAPITAL AND RESERVES

##### Capital

At December 31, 2011, Candente Gold's authorized share capital consisted of an unlimited number of common shares and an unlimited number of preferred shares, all without par value. All issued common shares are fully paid.

During the nine months ended December 31, 2011, the Underwriters who participated in the March 30, 2011 financing described below exercised their over-allotment option, raising additional gross proceeds for the Company of \$334,833 (Cdn\$320,000) (the "Over-Allotment"). The Company issued 400,000 units (the "Units") at a price of Cdn\$0.80 per Unit, with each Unit consisting of one common share of the Company and one-half of one common share purchase warrant entitling the holder thereof to acquire one common share of the Company at a price of Cdn\$1.10 until March 30, 2013. The Underwriters received a cash commission equal to 6.75% of the gross proceeds received from the over-allotment and warrants entitling them to acquire a total of 24,000 common shares of the Company at a price of Cdn\$0.86 per common share until March 30, 2013. The Agents' Warrants issued as finders' fees were valued by the Company at \$2,557.

Also during the nine months ended December 31, 2011, the Company issued 85,713 shares on exercise of share purchase warrants, for proceeds of \$53,388, and issued 14,500 shares on exercise of share purchase options, for proceeds of \$14,801.

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT

Expressed in U.S. Dollars, Unless Otherwise Noted

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

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

## Share Options

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

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

During the nine months ended December 31, 2011, the Company granted 230,000 stock options to officers, employees and directors at an exercise price of Cdn\$0.65 with an expiry date of May 25, 2016.

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

Share options were awarded during the nine months ended December 31, 2011 and the year ended March 31, 2011 as follows:

	Options outstanding	Weighted average exercise price (Cdn\$)
Balance on April 1, 2010	3,938,250	0.64
Awarded	500,000	0.72
Exercised	(245,750)	0.60
Expired	(20,000)	0.70
Balance on March 31, 2011	4,172,500	0.65
Awarded	230,000	0.65
Exercised	(14,500)	0.85
Forfeited	(545,000)	0.66
Balance on December 31, 2011	3,843,000	0.65

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

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT  
Expressed in U.S. Dollars, Unless Otherwise Noted

The following summarizes information about share options outstanding and exercisable at December 31, 2011:

Exercise price (Cdn\$)	Options outstanding			Options exercisable		
	Options Outstanding	Weighted average exercise price (Cdn\$)	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price (Cdn\$)	Weighted average remaining contractual life (years)
0.33 – 0.53	554,000	0.42	2.64	554,000	0.42	2.64
0.54 – 0.64	2,612,500	0.64	3.13	2,612,500	0.64	3.13
0.65 – 0.73	230,000	0.65	4.40	115,000	0.65	4.40
0.74 – 0.91	300,000	0.80	2.42	300,000	0.80	2.42
0.92 – 1.80	146,500	1.36	1.07	146,500	1.36	1.07
	3,843,000	0.65	3.00	3,728,000	0.65	2.96

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

	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Risk-free interest rate	2.05%	2.78%
Estimated volatility	84.96%	90%
Expected life	3.57 years	5 yrs
Estimated forfeiture rate	0%	0%

The weighted average fair value of share options awarded during the nine months ended December 31, 2011, estimated using the Black-Scholes option pricing model was Cdn\$0.39 per option. The average fair value of share options awarded during the nine months ended December 31, 2010, estimated using the Black-Scholes option pricing model was Cdn\$0.36 per option.

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

A share-based compensation cost of Cdn\$88,575 for the options granted in the nine months ended December 31, 2011 will be amortized over the vesting period, of which Cdn\$71,672 was recognized in the nine months ended December 31, 2011.

The total share-based compensation calculated for the nine months ended December 31, 2011 was \$108,881 (nine months ended December 31, 2010 - \$1,065,244).

## Warrants

The fair value of the broker warrants issued during the nine months ended December 31, 2011 was estimated at Cdn\$0.10 per warrant at the grant date using the Black-Scholes option pricing model (year ended March 31, 2011: Cdn\$0.15).

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT  
Expressed in U.S. Dollars, Unless Otherwise Noted

The weighted average assumptions used for the calculation were:

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

The following summarizes information about warrants outstanding at December 31, 2011:

Number of warrants outstanding as at April 1, 2011	Issued during the period	Number of warrants expired/exercised during the period	Balance of warrants outstanding as at December 31, 2011	Exercise price per warrant (Cdn\$)	Expiry date
12,446,287	-	(85,713)	12,360,574	0.60	January 14, 2012
4,420,625	-	-	4,420,625	1.10	March 30, 2013
530,475	-	-	530,475	0.86	March 30, 2013
51,250	-	-	51,250	1.10	March 30, 2013
-	200,000	-	200,000	1.10	March 30, 2013
-	24,000	-	24,000	0.86	March 30, 2013
17,448,637	224,000	(85,713)	17,586,924		

A total of 12,360,574 warrants at an exercise price of Cdn\$0.60 per share expired unexercised subsequent to December 31, 2011.

## 6. SEGMENTED INFORMATION

At December 31, 2011, the Company has one reportable operating segment, being mineral exploration.

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

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

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT

Expressed in U.S. Dollars, Unless Otherwise Noted

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

	December 31, 2011			
	Mexico	Peru	Canada	Total
Current assets	\$ 698,823	\$ 23,853	\$ 2,836,342	\$ 3,559,018
Equipment	53,853	4,304	40,131	98,288
Value-added tax receivable	-	50,407	-	50,407
Unproven mineral interests	7,556,816	3,975,395	-	11,532,211
	\$ 8,309,492	\$ 4,053,959	\$ 2,876,473	\$ 15,239,924

  

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

## 7. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents consist of:

	December 31, 2010	March 31, 2011 \$
Cash	201,222	7,083,740
Cash equivalents	2,722,764	1,559,677
	2,923,986	8,643,417

The significant non-cash transactions during the nine months ended December 31, 2011 were:

- The Company issued 30,000 shares valued at \$25,000 in connection with the Company's obligations with respect to the acquisition of the Causa property in Peru.
- The Company recorded stock-based compensation of \$108,881 calculated using the Black-Scholes pricing model.
- The Company transferred \$13,374 of reserves to common shares on exercise of warrants.

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

- The Company issued 780,000 common shares valued at \$525,701 in connection with the Company's obligations with respect to the El Oro property and for the acquisition of the Causa property in Peru.
- The Company recorded stock-based compensation of \$1,116,534, calculated using the Black-Scholes pricing model.
- The Company transferred \$181,629 of reserves to common shares on exercise of options and warrants.

---

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT  
Expressed in U.S. Dollars, Unless Otherwise Noted

---

## 8. FIRST-TIME ADOPTION OF IFRS

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

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

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

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company.

Note 1. Under Canadian GAAP, the accounting for the transfer of properties from Candente Copper and Canaco was a related party transaction and the properties were transferred at their carrying value. Under IFRS there are no special recognition or measurement requirements for related party transactions. Under IFRS the transfer of the properties was re-measured at the fair value of the mineral properties acquired. On April 1, 2010, the impact of the IFRS transition for the acquisition of the El Oro and Peruvian properties was a net increase of \$3,094,088 to mineral properties, offset by an increase of \$3,146,134 in common shares and a decrease of \$52,046 in other reserves.

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

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

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT  
 Expressed in U.S. Dollars, Unless Otherwise Noted

## *Reconciliations of statements of financial position*

Reconciliations between the Canadian GAAP and IFRS consolidated statements of financial position at December 31, 2011 are provided below:

<b>CANDENTE GOLD CORP.</b>				
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>				
<b>AS AT DECEMBER 31, 2010</b>				
<b>EXPRESSED IN US DOLLARS</b>				
		<b>Transition</b>		
	<b>Canadian GAAP</b>	<b>Impact</b>	<b>Notes</b>	<b>IFRS</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	2,595,221			2,595,221
Trade and other receivables	435,523			435,523
Prepays and deposits	278,783			278,783
<b>Total current assets</b>	<b>3,309,527</b>			<b>3,309,527</b>
Equipment	95,073	439	2,4	95,512
Value-added tax receivable	20,395			20,395
Unproven mineral interests	7,692,927	3,082,132	1,2,3	10,775,059
	<b>11,117,922</b>			<b>14,200,493</b>
<b>LIABILITIES</b>				
Current				
Accounts payable and accrued liabilities	286,773			286,773
Promissory note payable	949,810			949,810
	<b>1,236,583</b>			<b>1,236,583</b>
<b>EQUITY</b>				
Common shares	13,042,514	3,146,134	1	16,188,648
Other reserves	3,407,025	- 366,854	1	3,040,171
Accumulated other comprehensive loss	-	66,423	3,4,5	66,423
Deficit	- 6,568,200	236,868	2,5,6	- 6,331,332
	<b>9,881,339</b>			<b>12,963,910</b>
	<b>11,117,922</b>			<b>14,200,493</b>

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT  
 Expressed in U.S. Dollars, Unless Otherwise Noted

## *Reconciliations of total comprehensive income*

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the three and six months ended December 31, 2011 are provided below.

<b>CANDENTE GOLD CORP.</b>				
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS</b>				
<b>THREE MONTHS ENDED DECEMBER 31, 2010</b>				
<b>EXPRESSED IN US DOLLARS</b>				
	<b>Canadian GAAP</b>	<b>Transition Impact</b>	<b>Notes</b>	<b>IFRS</b>
<i>General and Administrative</i>				
Depreciation	531	-		531
Audit and tax advisory	5,426	-		5,426
Bank charges and interest	2,979	-		2,979
Corporate development	16,912	-		16,912
Legal	13,383	-		13,383
Management and office salaries and benefits	64,509	-		64,509
Office, rent and miscellaneous	45,497	-		45,497
Travel and accommodations	11,302	-		11,302
Regulatory and filing fees	16,230	-		16,230
Shareholder communications	12,386	-		12,386
Share-based compensation expense	468,584	- 306,786	6	161,798
Interest and other income	- 12,382	-		- 12,382
Loss (gain) on foreign exchange	- 66,627	145,661	5	79,034
	<u>- 578,730</u>			<u>- 417,605</u>
<i>Exploration</i>				
Depreciation	4,226	-		4,226
Assays	36,085	-		36,085
Administration	253,921	-		253,921
Camp, field supplies and travel	214,524	-		214,524
Drilling	578,608	-		578,608
Equipment maintenance and rental	14,976	-		14,976
Field support and personnel	21,669	-		21,669
Geological and geophysical	107,622	-		107,622
	<u>- 1,231,631</u>	-		<u>- 1,231,631</u>
Net Loss	<u>- 1,810,361</u>	-		<u>- 1,649,236</u>
<i>Other comprehensive loss</i>				
Cumulative translation adjustment	-	128,133		128,133
	<u>-</u>			<u>128,133</u>
Comprehensive loss	<u>- 1,810,361</u>			<u>- 1,521,103</u>

# CANDENTE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
DECEMBER 31, 2011 – UNAUDITED – PREPARED BY MANAGEMENT  
Expressed in U.S. Dollars, Unless Otherwise Noted

CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS				
NINE MONTHS ENDED DECEMBER 31, 2010				
EXPRESSED IN US DOLLARS				
	Canadian GAAP	Transition Impact	Notes	IFRS
<i>General and Administrative</i>				
Depreciation	1,591			1,591
Audit and tax advisory	10,220			10,220
Bank charges and interest	6,586			6,586
Corporate development	103,339			103,339
Legal	34,502			34,502
Management and office salaries and benefits	205,576			205,576
Office, rent and miscellaneous	118,343			118,343
Travel and accomodations	34,806			34,806
Regulatory and filing fees	81,395			81,395
Shareholder communications	33,330			33,330
Share-based compensation expense	1,380,052	- 314,808	6	1,065,244
Interest and other income	- 37,887			- 37,887
Loss (gain) on foreign exchange	25,910	81,983	5	107,893
	- 1,997,763			- 1,764,938
<i>Exploration</i>				
Depreciation	8,337			8,337
Assays	85,919			85,919
Administration	564,756			564,756
Camp, field supplies and travel	517,680			517,680
Drilling	1,260,230			1,260,230
Equipment maintenance and rental	31,396			31,396
Field support and personnel	72,495			72,495
Geological and geophysical	406,081			406,081
	- 2,946,894			- 2,946,894
Net Loss	- 4,944,657			- 4,711,832
<i>Other comprehensive loss</i>				
Cumulative translation adjustment	-	66,423		66,423
	-			66,423
Comprehensive loss	- 4,944,657			- 4,645,409

## Statement of cash flows

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

**CANDENTE GOLD CORP.**  
(An Exploration stage company)

**MANAGEMENT DISCUSSION AND ANALYSIS**

Quarter and Nine Months Ended December 31, 2011

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

## INTRODUCTION

The following Management Discussion and Analysis ("MD&A") for Candente Gold Corp. ("Candente Gold") and its subsidiary companies (collectively, the "Company") is prepared as of February 10, 2012 and should be read in conjunction with the Company's condensed consolidated interim financial statements and related notes for the quarter ended December 31, 2011 ("Q3-2012") and the Company's audited consolidated financial statements and the notes thereto for the year ended March 31, 2011.

As of April 1, 2011, the Company's financial statements are reported under International Financial Reporting Standards ("IFRS"). The effects of the Company's conversion from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS have been identified in Note 9 of the Company's June 30, 2011 unaudited condensed consolidated interim financial statements, Note 8 of the Company's September 30, 2011 unaudited condensed consolidated interim financial statements and Note 8 of the Company's December 31, 2011 unaudited condensed consolidated interim financial statements and in this MD&A.

The Company's reporting currency is the US Dollar.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Candente Gold's common shares are listed on the Toronto Stock Exchange ("TSX") and the Bolsa de Valores de Lima ("BVL") under the trading symbol "CDG".

Additional information on the Company can be found in the Company's Annual Information Form ("AIF"), filed with the Canadian regulators and available on SEDAR at [www.sedar.com](http://www.sedar.com).

## DESCRIPTION OF BUSINESS

Candente Gold is a Vancouver, Canada, based mineral exploration company which has an interest in the El Oro project in Mexico ("El Oro") and in various gold-silver properties in Peru. The Company conducts its operations through wholly-owned subsidiaries.

The Company is in the exploration stage and there can be no assurance that commercially viable ore deposits may exist on any of its properties until the Company completes further exploration work and comprehensive economic evaluation based upon that work.

The El Oro project is the Company's highest priority project at this time.

## PROJECTS UPDATE

### EL ORO

#### Summary

El Oro is a district scale gold project encompassing one of the largest and most prolific high grade gold dominant epithermal vein systems in Mexico. The El Oro district includes over 50 known veins, but the bulk of the historic district production – approximately 6.4 million ounces of gold and 74 million ounces of silver - was reported as being produced from just two of these veins. The San Rafael vein alone is reported to have produced over 4 million ounces of gold and 44 million ounces of silver over an average of only 200 metres vertical, a 2.4 kilometre strike length and at grades averaging 9 to 16 grams per tonne gold.

The San Rafael vein system is analogous to other epithermal vein systems mined in Mexico such as Fresnillo, Guanajuato and Pinos Altos, where gold and silver has been found to occur over 600 to 1200 m vertically. Mine grades in the San Rafael vein are reported to have averaged 10 to 12 g/t gold and 120 to 160 g/t silver and reached as high as 50 g/t gold and 500 g/t silver.

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

## Property Option Agreement

The Company's interest in El Oro is held through its fully-owned subsidiary Minera CCM, S.A. de C.V. ("CCM"), the Mexican company that holds an option on the El Oro gold property ("El Oro") in Mexico.

On May 5, 2006, CCM, Candente Copper Corp. ("Candente Copper") and Canaco Resources Inc. ("Canaco") entered into a letter agreement (the "2006 Agreement") with Luismin, S.A. de C.V. ("Luismin") and Desarrollos Mineros San Luis, S.A. de C.V. ("Desarrollos"), subsidiaries of Goldcorp Inc., that provided CCM with an option (the "Option") to acquire up to a 70% undivided interest in El Oro, subject to a 40% back-in right, in 24 mining concessions comprising approximately 14,950 hectares located in the states of Mexico and Michoacan, Mexico.

Certain exploration and mining concessions included in El Oro are subject to net smelter returns royalties.

The Option is comprised of an option to initially acquire 50% of El Oro (the "First Option") and then a further 20% (the "Second Option"). The issuance of shares and the completion of certain levels of exploration expenditures on El Oro are required to exercise the Option.

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

- Commit to issue to Luismin a total of 1,000,000 Candente Gold shares at various dates up to or before November 30, 2011 (completed);
- Commit to cumulative exploration expenditures totaling \$5,000,000 to be completed on or before November 30, 2011 (completed);

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

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

On May 3, 2011 Candente Gold reported that Luismin had confirmed the fulfillment of all requirements of the First Option necessary to exercise its option to earn an undivided 50% interest in the El Oro Gold Project.

On May 3, 2011, it was also reported that Luismin was given official confirmation that the Company had elected to earn an additional 20% interest in El Oro for a total of 70%, by spending an additional \$5M and issuing an additional 1,000,000 common shares in the capital of the Company by November 30, 2013. As of December 31, 2011 approximately \$4.5M of this \$5M has been spent.

## Current Exploration

Candente Copper and Canaco carried out exploration at El Oro in 2007 and 2008 which comprised a program of surface soil sampling, NSAMT geophysics, and 4,095m of drilling. In February 2010, exploration activity in the El Oro district was resumed, following the incorporation of Candente Gold, financing and the amendment of the 2006 Agreement with Luismin.

In February 2010 exploration focused on drilling of the San Rafael vein system from underground within the San Juan adit as well as backfill and sidewall sampling of the San Rafael vein during rehabilitation of the San Juan adit and surface drilling of exploration targets in the Oriente area of the district. The underground drilling was successful in confirming historic grades in the vein left in place and in backfill in the old workings.

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

A total of 3,336.80 metres in 6 holes (ZO10-01 to 06) tested several geological, geochemical and geophysical targets in the Oriente area, however drilling failed to intersect any mineralization of economic interest in this area. No additional drilling is planned for this area.

Since November 2010, surface drilling has been focused on the San Rafael Vein system over a strike length of 3.5 km, from the Buen Despacho, Mexico-Esperanza, Norte shaft, and Providencia shaft areas. Rehabilitation of the historic Dos Estrellas tunnel system has also been underway to provide underground drilling access for the Verde and (possibly) San Rafael vein extension potential. Systematic exploration of several other target areas has also been underway including the Borda-Coronas, Cortaduras and San Francisco de Los Reyes areas.

A total of 12,819.45 metres have been drilled, since November 2010, in 35 holes targeting the San Rafael Vein and its hanging wall veins. Of these holes, 15 were wedges, or shorter holes started part way down a main hole, and 14 holes were lost or abandoned due to difficult drilling conditions before they reached target depth. Establishing underground drill stations is expected to significantly decrease the number of lost and abandoned holes in the future.

Of the 21 successfully completed holes, 18 have intersected anomalous to high-grade gold and silver mineralization.

## **Mexico-Esperanza Area**

The Mexico-Esperanza area remains the strongest exploration target within the San Rafael vein system due to recent high grade discoveries indicating the presence of vertical controls to mineralization as well as the highest grades of historic production.

In the Mexico-Esperanza area three high-grade intersections have been made in the San Rafael vein below the deepest old workings (in SR11-001A and SR11-012-W2 from the current drill program and in SR07-002 from the 2007 program). In addition, two other high-grade veins with minimal past production were intersected in the hanging wall above the San Rafael vein. Gold mineralization has also been discovered in the overlying pervasively altered Somera Tuff volcanic unit in this area. Assays from the Somera Tuff unit contained 0.96 g/t gold over 74.9 m, within which an average of 1.17 g/t gold occurs over 54.7 m. Higher grade zones within this interval include 16.73 g/t gold over 1.4 m and 6.86 g/t gold over 4.6 m.

Hole SR11-012-W2, intersected the San Rafael vein approximately 195m below hole SR11-001A, the deepest intersection in the Mexico-Esperanza area to date. This hole intersected 26.95 metres of the San Rafael vein from 874.65 to 901.60 metres depth grading 0.55 g/t gold over the full 26.95 metre section. Higher grade zones within this interval include 4.45 g/t gold over 2.40 metres within 6.16 g/t gold over 1.60 metres.

The high-grade intersections from the Mexico-Esperanza area demonstrate both the potential for multiple high grade veins within the vicinity of the historic San Rafael vein mine workings, and strong potential at depth below the historic mines. In addition, pervasive alteration (buddingtonite and silica) typical of the top of an epithermal stage has been identified in the Somera Tuff adjacent to mineralization typical of the heart of another. Results to date reinforce the potential for stacked or repeated mineralization pulses, and that a second high-grade mineralization zone may lie below the deepest workings on San Rafael and thus any of the veins in the El Oro district,

In the Buen Despacho area, a northern (lateral) extension to the San Rafael vein has been confirmed approximately 1,100 metres north of any historic production. The significant silver mineralization from drill holes SR10-001 and SR10-001-W1 included 230 g/t silver over 0.40m, 19 g/t silver over 2.80m, and 54 g/t silver over 1.00m (see Table 1), and was intersected well below the old shallow exploration workings. In this area, the San Rafael vein appears to have been down-dropped by faulting north of the Mexico-Esperanza mining area. The old shafts and tunnels were stopped approximately 90m above these new discoveries.

In the Norte shaft zone, hole SR11-004-W1 intersected 315 g/t silver over 1.15m and 5.75 g/t gold and 14 g/t silver over 0.65m. SR11-004 intersected 7.7 g/t gold and 3.5 g/t silver over 0.80m.

In the Providencia shaft area silver dominates over gold, with most holes intersecting high-grade silver values. SR11-007 intersected 523.6 g/t silver over 1.0m, SR11-009C intersected 176 g/t silver over 0.30m, and SR11-009C-W1 intersected 84 g/t silver over 1.00m. In 2003, just north of this block, Placer Dome intersected 10.18 g/t gold and 48.75 g/t silver over 2.50m in drill hole SR03-004.

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

Anomalous to high-grade gold and silver values have been intersected at several locations 150m and deeper below old workings along the known 2.4 km strike length of the San Rafael vein, and an extension to the vein 1.1 km to the north has also been confirmed.

Drilling in this area has demonstrated that gold and silver mineralization within the San Rafael vein occurs in shoots that appear to be localized where vertical NE-SW structures cut across the principal NW-SE trending veins. Gold to silver ratios appear to zone laterally away from these intersections, indicating that they may have acted as fluid conduits. Additional studies of these structural controls are being carried out to guide future drilling.

Varying assemblages of anomalous levels of base and precious metal levels were encountered at various depths within the San Rafael vein system and show no pattern related to increasing depth. Given that typical low sulphidation epithermal systems precipitate gold at highest levels (the boiling zone) then silver and then base metals towards the bottom of a system, this is further evidence that the San Rafael system has experienced multiple overlapping pulses of mineralization.

## **Dos Estrellas Tunnel Rehabilitation**

Underground rehabilitation in the pre-existing Dos Estrellas access tunnel is ongoing, and has now advanced to over 460m. The objective of reopening Dos Estrellas is to provide access for underground drill stations to test well below the historical underground workings in both the Verde and San Rafael veins using much shorter holes than would be required from surface. The Verde vein produced over 3 million ounces of gold equivalent at average grades of 12 g/t gold and 160 g/t silver between 1907 and 1924. The first underground drill station to test the Verde vein will be established in the hanging wall, in a crosscut approximately 480m into the Dos Estrellas tunnel, reducing the amount of rehabilitation needed before drilling can begin.

## **Exploration Plans**

Systematic exploration and a thorough review of the extensive database for the district is underway to prioritize future exploration targets in the El Oro gold-silver district.

Targets have already been developed in the Verde, Borda-Coronas, Cortaduras and San Francisco de Los Reyes areas.

The El Oro district includes over 50 known veins and is analogous to other epithermal vein systems mined in Mexico such as Fresnillo, Guanajuato and Pinos Altos, where gold and silver has been found to occur over 600 to 1200 m vertically. Given that historic production was concentrated on two veins over vertical depths averaging 200 metres the exploration potential is excellent.

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
 Quarter and nine months ended December 31, 2011  
 (Expressed in U.S. Dollars, Unless Otherwise Noted)

**TABLE 1 – Summary of Surface Drilling Data – November 2010 to November 2011**

Hole Number	Total Length (m)	San Rafael Vein Intersection	Other Intersections	Assays				
				From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)
SR10-001	753.00	512.00 to 512.60m		512.00	512.6	0.60	0.03	54.00
SR10-001W1	261.00	501.80 to 502.40m; 513.80 to 516.60		501.80	502.40	0.60	0.02	230.00
				513.80	516.60	2.80	0.07	19.32
SR10-001W2	272.00	543.93 to 544.45 m		No Significant Results				
SR10-002	169.50	Hole abandoned due to deviation		Abandoned Hole				
SR10-002A	610.00	603.00 to 610.00 partial vein	Somera Tuff	373.10	448.00	74.90	0.96	5.06
			Nolan Vein	413.90	418.50	4.60	6.85	17.61
			Negra Vein	503.30	503.90	0.60	18.14	137.00
			Lost in old workings	603.00	610.00	7.00	2.95	20.00
SR10-002-W1	206.00	Lost Hole before SR Vein	Somera Tuff	391.00	460.20	69.20	1.06	7.93
			Nolan Vein	508.50	509.00	0.50	2.41	372.00
SR10-003	430.00	Hole suspended		Hole suspended				
SR11-001	51.00	Hole abandoned due to deviation		Lost Hole				
SR11-001A	819.00	699.30 to 702.30m	Nolan Vein	444.50	446.35	1.85	30.65	3.00
				699.30	702.30	3.00	13.69	6.50
SR11-001A-W1	45.50	Hole abandoned due to deviation		Abandoned Hole				
SR11-002	549.00	Lost hole in old workings		Lost Hole				
SR11-003	918.00	624.00 to 632.00m		No Significant Results				
SR11-003-W1	387.50	624.00 to 632.00m		664.80	665.70	0.90	1.04	3.00
SR11-003-W2	304.00	618.85 to 629.40m		620.20	621.80	1.60	3.83	4.50
SR11-004-W1	295.66	448.00 to 457.10m		449.95	451.10	1.15	0.07	315.00
SR11-005	663.35	505.60 to 516.75m		No Significant Results				
SR11-005-W1	1.00	Hole abandoned due to deviation		Abandoned Hole				
SR11-006	688.85	609.82 to 661.00m		617.30	617.96	0.66	1.28	1.00
				660.64	660.96	0.32	1.16	2.00
SR11-007	481.58	377.90 to 427.00m	Intercept of vein parallel to drill hole	423.60	424.60	1.00	0.07	523.60
SR11-008	536.45	465.00 to 474.50m		465.47	466.12	0.65	5.75	14.00
				473.78	474.60	0.82	2.06	7.00
SR11-009	51.21	Hole abandoned due to deviation		Abandoned Hole				
SR11-009a	12.65	Hole abandoned due to deviation		Abandoned Hole				
SR11-009b	12.19	Hole abandoned due to deviation		Abandoned Hole				
SR11-009c	469.39	363.00 to 419.60m	Intercept of vein parallel to drill hole	142.50	144.15	1.65	1.12	3.50
				377.80	378.90	1.10	0.60	65.50
				405.60	406.00	0.40	3.10	1.50
				412.00	412.30	0.30	0.30	176.40
SR11-009c-W1	155.85	361.50 to 364.70m partial	Lost in old workings	363.70	364.70	1.00	1.78	84.00

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
 Quarter and nine months ended December 31, 2011  
 (Expressed in U.S. Dollars, Unless Otherwise Noted)

**TABLE 2 – Summary of Surface Drilling Data – November 2011 to current**

Hole Number	Total Length (m)	Somera Tuff intersected (m)	San Rafael vein intersected (m)	From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)
SR11-009C-W2	146.4	not targeted	356.95 to 413.35	367.95	371.20	3.25	0.83	19.2
			356.95 to 413.35	367.15	371.20	4.05	0.78	17.8
			356.95 to 413.35	389.65	390.14	0.49	3.70	15.0
SR11-010	460.3	not targeted	356.95 to 413.35	411.48	414.20	2.72	0.26	23.9
			399.01 to 415.96	400.78	401.20	0.42	3.93	3.5
			399.01 to 415.96	417.91	418.70	0.79	2.31	1.0
SR11-010-W1	345.6	not targeted	168.00	168.00	169.90	1.90	0.24	18.0
			206.00	206.00	206.45	0.45	1.62	20.0
			439.65 to 445.45	439.00	443.35	4.35	0.07	18.4
SR11-011	417.6	not targeted	439.65 to 445.45	445.76	448.60	2.84	0.07	1.7
			not intersected	hole lost - no samples assayed				
SR11-011-W1	372.7	not targeted	472.96 to 485.40	no significant results				
SR11-012	341.4	317.19 to 341.40	not intersected	hole lost in Somera Tuff - no samples assayed				
SR11-012-W1	40.0	317.19 to 350.52	not intersected	hole lost in Somera Tuff - no samples assayed				
SR11-012-W2	696.7	316.85 to 379.65	345.20	345.20	410.50	65.30	0.30	1.9
			378.55	378.55	410.50	31.95	0.40	2.1
			387.15	387.15	400.20	13.05	0.60	2.1
			393.40	393.40	400.20	6.80	0.80	2.7
			874.65 to 901.60	874.65	901.60	26.95	0.55	2.3
SR11-012-W3	147.8	not targeted	874.65 to 901.60	874.65	877.05	2.40	4.45	2.3
			874.65 to 901.60	874.65	876.25	1.60	6.16	3.0
			957.07	957.07	957.55	0.48	0.43	37.5
SR11-012-W3	147.8	not targeted	not intersected	no significant results				

Joanne C. Freeze, P.Geo., President and CEO, is the qualified person responsible for this review of El Oro technical information.

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

## **PERUVIAN GOLD-SILVER PROPERTIES**

### **TRES MARIAS & FREDITO**

Both the Tres Marias and the Fredito properties occur within the Puno epithermal gold-silver belt that hosts the Aruntani deposit owned by Aruntani SAC, Arasi (La Rescatada) high sulphidation gold deposits; the Corani and Santa Ana silver deposits both owned by Bear Creek Mines, and two new discoveries by Buenaventura/Goldfields, Chucapara and Canahuire, which host both high and low sulphidation mineralization.

The Tres Marias project hosts a low sulphidation vein system (Pataqueña) with high grade silver mineralization which was previously exploited however no records have been found. Exploitation does not appear to be extensive and there is potential for extending the mineralized vein to depth and along strike. Anomalous gold in soils indicates the potential for the discovery of a new gold-silver vein or bulk tonnage deposits which could be high sulphidation in nature.

The Pataqueña vein system is ready for drill testing. Detailed mapping and rock and soil geochemical sampling has been done on the Soracha and San Francisco zones and results are being used to define drill targets.

The Fredito property covers a large geophysical target partially overlying a gold-silver-bearing zone of high sulphidation alteration, proximal to a gold-silver-lead-zinc-bearing low sulphidation vein system exploited sporadically since colonial times.

### **LUNAHUANA**

Lunahuana is a 5,387 hectare property located in central Peru. The Lunahuana property hosts both gold and copper mineralization in veins, disseminations and mantos. This mineralization is potentially associated with IOCG-style mineralization peripherally or at depth.. Recent mapping and sampling have identified numerous target areas for drill testing. The property was acquired from Britannia Mines and was formerly known as the Columbia property.

### **ORO QUEROPALCA**

The Oro Queropalca property hosts abundant vein and disseminated gold-silver mineralization in surface showings that returned highly anomalous gold and silver assays. The property has potential to host epithermal gold-silver and manto style silver-lead-zinc mineralization. Recent mapping and sampling has been done to better characterize mineralization and to help define drill targets.

### **ALTO DORADO / TORIL**

Alto Dorado is a 9,400 hectare exploration stage gold project located in the Department of La Libertad in northern Peru. The Company's interest in the Alto Dorado property is based on earlier exploration work by Candente Copper. Both porphyry and high sulphidation styles of mineralization are evident on the property.

### **PICOTA**

The Brujas-Picota property covers extensive areas of argillic, phyllic, advanced argillic (dickite, alunite, pyrophyllite), silicification (locally vuggy to grey silica) alteration with gold-silver-bearing veins, breccias and structures. The project has potential to host high sulphidation type gold-silver deposits within large areas of vuggy silica and advanced argillic alteration with gold-silver-bearing veins, breccias and structures. Exploration targets include six zones consisting of gold-silver mineralization hosted in veins, breccias and structures. Areas between the six mineralized zones have had little exploration and the property is considered under-explored.

The property lies just northeast of Buenaventura's La Zanja high sulphidation gold deposit and 12 km west of the Tantauatay porphyry gold deposit owned by Grupo Mexico and Buenaventura.

### **LAS BRUJAS**

This property lies just east of the Picota property and hosts high sulphidation style granular and vuggy silica which is mineralized with gold and has anomalous levels of other elements typical of high sulphidation deposits. Rock chip samples returned anomalous values of gold (up to 1.57gpt over 10 meters), antimony (up to 570ppm), arsenic (up to 3,680ppm), barium (up to 1,860ppm), silver (up to 22.4gpt), mercury (>100,000ppb), as well as elevated copper (up to 681ppm), lead (up to 836ppm) and zinc (up to 1,135ppm).

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

## LAS SORPRESAS

Las Sorpresas is an exploration stage epithermal high sulphidation gold-silver project located southeast of the Yanacocha district in northern Peru. Candente Copper's interest in the Las Sorpresas property stemmed from earlier exploration work that was done in the area.

## EL TIGRE

The El Tigre property covers an area with potential to host epithermal low sulphidation quartz vein and/or bulk tonnage gold deposits marginal to large diatreme breccias with abundant fragments containing gold-bearing quartz veins and quartz stockwork.

## PERUVIAN CURRENT EXPLORATION

Exploration comprising geological mapping and sampling has been carried out in 2010 and 2011 and drilling permits have been applied for the Lunahuana and Tres Marias properties.

## RESULTS OF OPERATIONS - QUARTER ENDED DECEMBER 31, 2011

During Q3-2012 the Company recorded a net loss of \$1,161,336, compared to a net loss of \$1,649,236 in the quarter ended December 31, 2010 ("Q3-2011"). The Company is in the exploration stage, with no significant sources of revenue.

General and Administrative expenses in Q3-2012 were \$264,820 (Q3-2011: \$417,605), a reduction in expenses of \$152,785, mostly attributed to a decrease in share-based payment expense of \$142,295 in connection with a lower number of share based options granted in the current fiscal year. The Company also recorded a foreign exchange loss of \$125,671 in the quarter compared to a loss of \$79,034 in Q3-2011. The foreign exchange loss is mostly of an unrealized nature and is recorded in the unit financial statements of Candente Gold each reporting period following variations to end-of-quarter U.S. dollar to Canadian dollar foreign exchange rates given that the holding company's functional currency is the Canadian dollar and Candente Gold holds intercompany loans to its subsidiaries in U.S. dollars.

Excluding foreign exchange gains and share-based payment expenses, the most significant expenses in the quarter were management fees, salaries and benefits of \$54,383 (Q3-2011: \$64,509), office, rent and miscellaneous expenses of \$29,385 (Q3-2011: \$45,497) and shareholder communications of \$12,350 (Q3-2011: \$12,386).

Candente Gold shares certain General and Administrative expenses with Candente Copper and as of the quarter ended December 31, 2011, with Cobriza Metals Corp. ("Cobriza").

The Company also incurred Exploration expenses of \$896,516 in Q3-2012 (Q3-2011: \$1,231,631). The most significant expenses were drilling costs of \$384,364 (Q3-2011: \$578,608), geological and geophysical costs of \$183,863 (Q3-2011: \$107,622), field support and personnel of \$123,562 (Q3-2011: \$21,669), and exploration administration of \$99,099 (Q3-2011: \$253,921).

Most of the Exploration expenses in Q3-2012 and Q3-2011 were incurred in respect of the El Oro project.

In Q3-2012, the Company recorded other comprehensive income of \$145,761 (Q3-2011: other comprehensive income of \$128,133) in connection with the cumulative translation adjustment that results from translating Candente Gold's financial statements from Canadian dollars (Candente Gold's functional currency) to the U.S. dollar (the Company's reporting currency).

## RESULTS OF OPERATIONS – NINE MONTHS ENDED DECEMBER 31, 2011

During the nine months ended December 31, 2011 ("YTD-2012"), the Company recorded a net loss of \$3,813,529, compared to a net loss of \$4,711,832 in the nine months ended December 31, 2010 ("YTD-2011").

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
 Quarter and nine months ended December 31, 2011  
 (Expressed in U.S. Dollars, Unless Otherwise Noted)

General and Administrative expenses YTD-2012 were \$390,742 (YTD-2011: \$1,764,938), a decrease of \$1,374,196 mostly attributed to a decrease of \$956,361 in share-based payment expense and a decrease of \$360,008 in foreign exchange gains. The decrease in share-based payment expense is directly correlated to a significantly lower number of options vesting the current year and variances in foreign exchange gains or losses have been explained in the preceding paragraphs.

Excluding foreign exchange gains and share-based payment expenses, the most significant expenses year-to-date were management fees, salaries and benefits of \$245,547 (YTD-2011: \$205,576), office, rent and miscellaneous expenses of \$121,112 (YTD-2011: \$118,343) and regulatory and filing fees of \$52,500 (YTD-2011: \$81,395).

The Company also incurred Exploration expenses of \$3,422,787 YTD-2012 (YTD-2011: \$2,946,894). The most significant expenses were drilling costs of \$1,796,041 (YTD-2011: \$1,260,230), geological and geophysical costs of \$513,060 (YTD-2011: \$406,081), field support and personnel of \$424,193 (YTD-2011: \$72,495), and exploration administration of \$330,378 (YTD-2011: \$564,756).

A summary of exploration costs incurred by the Company from inception to date is presented below:

	Incurring to March 31, 2011 (\$)	QE June 30, 2011 (\$)	QE Sept. 30, 2011 (\$)	QE Dec. 31, 2011 (\$)	Incurring to Dec. 31, 2011 (\$)
<b>EL ORO</b>					
Depreciation	18,242	4,568	4,568	4,568	31,946
Assays	100,919	12,312	48,988	22,073	184,292
Exploration administration	658,878	108,059	65,402	66,583	898,922
Camp, field supplies & travel	599,263	46,866	44,260	45,400	735,789
Drilling	1,921,488	550,252	861,425	384,364	3,717,529
Equipment maintenance & rental	101,970	29,991	21,101	20,723	173,785
Field support and personnel	-	111,530	103,385	82,125	297,040
Geological & geophysical	818,104	137,880	167,455	174,864	1,298,303
	4,218,864	1,001,458	1,316,584	800,700	7,337,606
<b>OTHER PROJECTS</b>					
Assays	5,616	9,396	2,921	1,972	19,905
Exploration administration	103,584	27,287	30,531	32,516	193,918
Camp, field supplies & travel	26,813	7,863	8,499	6,314	49,489
Equipment maintenance & rental	9,453	9,755	2,399	4,579	26,186
Field support & personnel	98,864	49,936	35,780	41,437	226,017
Geological and geophysical	40,316	10,844	13,018	8,998	73,176
	284,646	115,081	93,148	95,816	588,691
<b>TOTAL</b>	<b>4,503,510</b>	<b>1,116,539</b>	<b>1,409,732</b>	<b>896,516</b>	<b>7,926,297</b>

## SUMMARY OF QUARTERLY FINANCIAL RESULTS

	QE Dec. 31, 2011 \$ (IFRS)	QE Sept. 30, 2011 \$ (IFRS)	QE June 30, 2011 \$ (IFRS)	QE March 31, 2011 \$ (Canadian GAAP)
Total revenue	-	-	-	-
Loss	(1,161,336)	(1,344,928)	(1,307,265)	(1,353,086)
Basic and diluted loss per share	(0.02)	(0.03)	(0.02)	(0.03)
	QE Dec 31, 2010 \$ (IFRS)	QE Sept. 30, 2010 \$ (IFRS)	QE June 30, 2010 \$ (IFRS)	QE March 31, 2010 \$ (Canadian GAAP)
Total revenue	-	-	-	-
Loss	(1,649,236)	(1,609,485)	(1,453,111)	(752,490)
Basic and diluted loss per share	(0.03)	(0.03)	(0.03)	(0.06)

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2011, the Company had cash and cash equivalents of \$2,932,986 and working capital of \$3,379,894, compared to cash and cash equivalents of \$8,643,417 and working capital of \$7,739,127 at March 31, 2011.

The Company holds its cash in Guaranteed Investment Certificates ("GIC"), most of which are issued by British Columbia Credit Unions and insured on a no-limit basis by the Credit Union Deposit Insurance Corporation.

During the nine months ended December 31, 2011, the Company recorded a net reduction in cash and cash equivalents of \$5,163,901, which included cash used in operating activities of \$4,065,177, cash used in investing activities of \$500,930 and cash used in financing activities of \$597,794.

During the year ended March 31, 2011, the Company completed a bought-deal short form prospectus financing (the "Financing") for gross proceeds of \$6,659,154 (Cdn\$6,500,000). In connection with the Financing, the Company issued 8,125,000 units (the "Units") at a price of Cdn\$0.80 per Unit. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder thereof to acquire one common share of the Company at a price of Cdn\$1.10 to March 30, 2012. The Offering was led by a group of Underwriters, who also exercised a portion of the over-allotment option to acquire an additional 716,250 Units and 51,250 Warrants for additional gross proceeds of \$590,180 (Cdn\$576,075). In connection with their services, the Underwriters received a cash commission equal to 6.75% of the gross proceeds raised in the Offering and warrants entitling the Underwriters to purchase such number of common shares of the Company in an amount equal to 6% of the number of Units issued at a price of Cdn\$0.86 per common share for a period of 2 years, to March 30, 2013. The Agents' Warrants issued as finders' fees were valued by the Company at \$198,548.

The Company is using existing cash to fund acquisitions, exploration activities and general and administrative expenses. Given that it currently does not have a source of revenue, the Company's ability to continue as a going concern remains contingent on its ability to obtain additional financing in future periods.

As of December 31, 2011, the Company had accounts payable and accrued liabilities of \$179,124, of which \$83,096 is an account payable to Candente Copper in connection with cost-sharing of certain general and administrative expenses for the quarterly period ended December 31, 2011.

### Operating Activities

Cash used in operations YTD-2012, including the changes in non-cash working capital items, was \$4,065,177 (YTD-2011: \$3,856,847).

### Financing Activities

YTD-2012, the Company received net proceeds of \$311,182 from an over-allotment of the March 2011 financing described under *Liquidity and Capital Resources*. The Company also received \$53,388 from the exercise of 85,713 share purchase warrants and \$14,801 from the exercise of 14,500 share purchase options. The Company also repaid \$977,165 (Cdn\$950,000) remaining on a promissory note issued in connection with the acquisition of the El Oro project to Candente Gold in 2009.

YTD- 2010, a total of 362,500 warrants were exercised for proceeds of \$212,643, 172,750 share purchase option were exercised for proceeds of \$123,616 and the Company made a payment of \$333,524 (Cdn\$350,000) towards a promissory note issued in connection with the acquisition of El Oro in 2009.

### Investing Activities

YTD-2012, investing activities consisted of acquisition costs of \$454,219 relating to the payment of mining rights in Mexico and Peru to maintain the good standing of the properties, equipment purchases of \$25,203 and an increase of \$21,508 of Value Added Tax ("VAT") credits in Peru. VAT credits in Peru may only be recovered as credits against VAT payable from future sales generated by the Company.

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

YTD-2011, the Company made annual cash payments of \$476,796 to maintain the good standing of its mineral properties in Peru and purchased plant and equipment of \$92,844, including various geological information systems licenses. The Company also paid VAT tax credits in Peru of \$15,833.

## TRANSACTIONS WITH RELATED PARTIES

During the nine months ended December 31, 2011, a total of \$103,745 (YTD-2011: \$210,944) for geological consulting services rendered was paid or accrued to officers or directors or to private companies associated with directors and officers of the Company. These amounts are included as a component of exploration costs.

During the nine months ended December 31, 2011, a total of \$105,575 (YTD-2011: \$130,946) was paid as salaries to various officers of the Company and \$36,394 (YTD-2011: \$35,049) was paid or accrued to private companies associated with officers and directors of the Company for management services rendered. These amounts are included in general and administrative expenses.

Included in accounts receivable at December 31, 2011 is \$nil (March 31, 2011: \$11,366) owed to the Company by certain officers for expense advances. Included in accounts payable and accrued liabilities at December 31, 2011 is \$22,390 (March 31, 2011: \$29,875) owed by the Company to certain officers and directors of the Company for services rendered and reimbursement of expenses.

At December 31, 2011, a director and officer of the Company served as a director and officer of Candente Copper and four of the Company's officers served as officers of Candente Copper. During the period ended December 31, 2011, the Company, Candente Copper and Cobriza shared certain office and administrative expenses and Candente Copper made certain payments on behalf of the Company. As of December 31, 2011, a total of \$83,086 (March 31, 2011: \$93,681) was due from the Company to Candente Copper for reimbursement of shared general and administrative expenses. At March 31, 2011, \$17,894 was due by Candente Copper to the Company for its share of proceeds from certain options exercised in March 2011.

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.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") IMPLEMENTATION PLAN

Effective January 1, 2011, Canadian publicly traded entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date for the Company was April 1, 2010.

The Company has completed its IFRS conversion project through implementation. Post-implementation has continued through the year.

The IFRS transitional impact is outlined below.

### Reconciliations of the statements of financial position

As a result of the policy choices selected and the changes the Company was required to make under IFRS an increase to equity of approximately \$3.1 million was recorded on April 1, 2010.

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company.

Note 1. Under Canadian GAAP, the accounting for the transfer of properties from Candente Copper and Canaco was a related party transaction and the properties were transferred at their carrying value. Under IFRS there are no special recognition or measurement requirements for related party transactions. Under IFRS the transfer of the properties was re-measured at the fair value of the mineral properties acquired. On April 1, 2010, the impact of the IFRS transition for the acquisition of the El Oro and Peruvian properties was a net increase of \$3,094,088 to mineral properties, offset by an increase of \$3,146,134 in common shares and a decrease of \$52,046 in other reserves.

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

- Note 2. Under Canadian GAAP, the Company and all of its subsidiaries had a U.S. dollar measurement currency. Under IFRS, the functional currency of the parent company is the Canadian dollar. The Company's presentation currency remains the U.S. dollar. The current rate method is required to be applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS and a cumulative translation adjustment on each statement of financial position date.
- Note 3. Under Canadian GAAP, the Company recorded stock based payments on a straight-line basis over the vesting period. Under IFRS, the Company records share based payments for each tranche within an award over the vesting period of the corresponding tranche. Under Canadian GAAP, forfeitures of awards were only recognized in the period the forfeiture occurred. Under IFRS, forfeiture estimates are recognized in the period they are estimated.

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
 Quarter and nine months ended December 31, 2011  
 (Expressed in U.S. Dollars, Unless Otherwise Noted)

<b>CANDENTE GOLD CORP.</b>				
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>				
<b>AS AT DECEMBER 31, 2010</b>				
<b>EXPRESSED IN US DOLLARS</b>				
		<b>Transition</b>		
	<b>Canadian GAAP</b>	<b>Impact</b>	<b>Notes</b>	<b>IFRS</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	2,595,221			2,595,221
Trade and other receivables	435,523			435,523
Prepays and deposits	278,783			278,783
Total current assets	3,309,527			3,309,527
Equipment	95,073	439	2,4	95,512
Value-added tax receivable	20,395			20,395
Unproven mineral interests	7,692,927	3,082,132	1,2,3	10,775,059
	11,117,922			14,200,493
<b>LIABILITIES</b>				
Current				
Accounts payable and accrued liabilities	286,773			286,773
Promissory note payable	949,810			949,810
	1,236,583			1,236,583
<b>EQUITY</b>				
Common shares	13,042,514	3,146,134	1	16,188,648
Other reserves	3,407,025	- 366,854	1	3,040,171
Accumulated other comprehensive loss	-	66,423	3,4,5	66,423
Deficit	- 6,568,200	236,868	2,5,6	- 6,331,332
	9,881,339			12,963,910
	11,117,922			14,200,493

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
 Quarter and nine months ended December 31, 2011  
 (Expressed in U.S. Dollars, Unless Otherwise Noted)

## Reconciliations of total comprehensive income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the three and nine months ended December 31, 2011 are provided below.

<b>CANDENTE GOLD CORP.</b>				
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS</b>				
<b>THREE MONTHS ENDED DECEMBER 31, 2010</b>				
<b>EXPRESSED IN US DOLLARS</b>				
	<b>Canadian GAAP</b>	<b>Transition Impact</b>	<b>Notes</b>	<b>IFRS</b>
<i>General and Administrative</i>				
Depreciation	531	-		531
Audit and tax advisory	5,426	-		5,426
Bank charges and interest	2,979	-		2,979
Corporate development	16,912	-		16,912
Legal	13,383	-		13,383
Management and office salaries and benefits	64,509	-		64,509
Office, rent and miscellaneous	45,497	-		45,497
Travel and accommodations	11,302	-		11,302
Regulatory and filing fees	16,230	-		16,230
Shareholder communications	12,386	-		12,386
Share-based compensation expense	468,584	- 306,786	6	161,798
Interest and other income	- 12,382	-		- 12,382
Loss (gain) on foreign exchange	- 66,627	145,661	5	79,034
	- 578,730			- 417,605
<i>Exploration</i>				
Depreciation	4,226	-		4,226
Assays	36,085	-		36,085
Administration	253,921	-		253,921
Camp, field supplies and travel	214,524	-		214,524
Drilling	578,608	-		578,608
Equipment maintenance and rental	14,976	-		14,976
Field support and personnel	21,669	-		21,669
Geological and geophysical	107,622	-		107,622
	- 1,231,631	-		- 1,231,631
Net Loss	- 1,810,361	-		- 1,649,236
<i>Other comprehensive loss</i>				
Cumulative translation adjustment	-	128,133		128,133
	-			128,133
Comprehensive loss	- 1,810,361			- 1,521,103

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
 Quarter and nine months ended December 31, 2011  
 (Expressed in U.S. Dollars, Unless Otherwise Noted)

CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS				
NINE MONTHS ENDED DECEMBER 31, 2010				
EXPRESSED IN US DOLLARS				
	Canadian GAAP	Transition Impact	Notes	IFRS
<i>General and Administrative</i>				
Depreciation	1,591			1,591
Audit and tax advisory	10,220			10,220
Bank charges and interest	6,586			6,586
Corporate development	103,339			103,339
Legal	34,502			34,502
Management and office salaries and benefits	205,576			205,576
Office, rent and miscellaneous	118,343			118,343
Travel and accommodations	34,806			34,806
Regulatory and filing fees	81,395			81,395
Shareholder communications	33,330			33,330
Share-based compensation expense	1,380,052	- 314,808	6	1,065,244
Interest and other income	- 37,887			- 37,887
Loss (gain) on foreign exchange	25,910	81,983	5	107,893
	- 1,997,763			- 1,764,938
<i>Exploration</i>				
Depreciation	8,337			8,337
Assays	85,919			85,919
Administration	564,756			564,756
Camp, field supplies and travel	517,680			517,680
Drilling	1,260,230			1,260,230
Equipment maintenance and rental	31,396			31,396
Field support and personnel	72,495			72,495
Geological and geophysical	406,081			406,081
	- 2,946,894			- 2,946,894
Net Loss	- 4,944,657			- 4,711,832
Other comprehensive loss				
Cumulative translation adjustment	-	66,423		66,423
	-			66,423
Comprehensive loss	- 4,944,657			- 4,645,409

## Statement of cash flows

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

---

# CANDENTE GOLD CORP.

Management's Discussion and Analysis  
Quarter and nine months ended December 31, 2011  
(Expressed in U.S. Dollars, Unless Otherwise Noted)

---

## INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. During the quarter ended December 31, 2011, the Company introduced additional segregation of duties in its financial close process in Canada to remediate a prior identified weakness in its ICFR. Other than this change and changes related to the Company's IFRS transition plan, there have been no changes in ICFR during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## OTHER MD&A REQUIREMENTS

As of February 10, 2012, the Company has outstanding 61,174,760 common shares, 5,226,350 warrants (at prices ranging from Cdn\$0.86 to Cdn\$1.10 per share) and 3,843,000 share purchase options (at prices ranging from Cdn\$0.33 to Cdn\$1.80 per share).

Additional information, including the Company's most recent Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This Report contains "forward looking statements". These forward-looking statements include, but are not limited to, statements regarding the Company's strategic plans, property search and evaluation plans, estimated levels of expenditures, acquisition targets and commitments. Forward-looking statements express, as at the date of this Report, the Company's plans, estimates, forecasts, projections, or beliefs as to future events or results and the Company does not intend or assume any obligation to update these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "schedule", "estimates", "intends", "anticipates", or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". We caution that forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Actual results and future events may differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward – looking statements include, but are not limited to the success of the Company's acquisition program, including its ability to complete further financing and close on any target acquisitions, currency fluctuations, the ability of the Company to conduct its business in Mexico and Peru, risks inherent with the mining industry, unexpected regulatory changes, delays in the completion of critical activities and other risks inherent to the Company's activities and other risks more fully described in Candente Gold's Annual Information Form filed with the Securities Commissions of the provinces of Alberta, British Columbia and Ontario and which is available on SEDAR at [www.sedar.com](http://www.sedar.com)