

**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		Somera Tuff	391.00	460.20	69.20	1.06	7.93
			Nolan Vein	508.50	509.00	0.50	2.41	372.00
Lost Hole before SR Vein			Lost Hole before SR Vein					
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	707.10	446.25 to 461.10m		431.50	432.30	0.80	7.70	3.50
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)
<b>SR11-009C-W2</b>	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
			356.95 to 413.35	411.48	414.20	2.72	0.26	23.9
<b>SR11-010</b>	460.3	not targeted		282.60	283.50	0.90	0.11	24.5
			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
<b>SR11-010-W1</b>	345.6	not targeted		168.00	169.90	1.90	0.24	18.0
				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
			439.65 to 445.45	445.76	448.60	2.84	0.07	1.7
<b>SR11-011</b>	417.6	not targeted	not intersected	hole lost - no samples assayed				
<b>SR11-011-W1</b>	372.7	not targeted	472.96 to 485.40	no significant results				
<b>SR11-012</b>	341.4	317.19 to 341.40	not intersected	hole lost in Somera Tuff - no samples assayed				
<b>SR11-012-W1</b>	40.0	317.19 to 350.52	not intersected	hole lost in Somera Tuff - no samples assayed				
<b>SR11-012-W2</b>	696.7	316.85 to 379.65		345.20	410.50	65.30	0.30	1.9
		316.85 to 379.65		378.55	410.50	31.95	0.40	2.1
		316.85 to 379.65		387.15	400.20	13.05	0.60	2.1
		316.85 to 379.65		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
			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	957.55	0.48	0.43	37.5
<b>SR11-012-W3</b>	147.8		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, phyllitic, 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 Tantahuatay 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:

	Incurred to March 31, 2011 (\$)	QE June 30, 2011 (\$)	QE Sept. 30, 2011 (\$)	QE Dec. 31, 2011 (\$)	Incurred 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 Cobrizo 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)

## CANDENTE GOLD CORP.

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010

EXPRESSED IN US DOLLARS

		Transition		
		Canadian GAAP	Impact	Notes
				IFRS
<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
Value-added tax receivable		20,395		20,395
Unproven mineral interests		7,692,927	3,082,132	1,2,3
		11,117,922		10,775,059
				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
Other reserves		3,407,025	-	366,854
Accumulated other comprehensive loss		-	66,423	3,4,5
Deficit		-	236,868	2,5,6
		6,568,200		-
		9,881,339		6,331,332
		11,117,922		12,963,910
				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.

	Transition			
	Canadian GAAP	Impact	Notes	IFRS
<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>				
<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
Interest and other income	-	12,382	-	- 12,382
Loss (gain) on foreign exchange	-	66,627	145,661	5
	-	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					
		Transition			
		Canadian GAAP	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
Interest and other income	-	37,887			37,887
Loss (gain) on foreign exchange		25,910		81,983	5
		<u>1,997,763</u>			<u>1,764,938</u>
<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
		<u>- 2,946,894</u>			<u>- 2,946,894</u>
Net Loss		<u>- 4,944,657</u>			<u>- 4,711,832</u>
<i>Other comprehensive loss</i>					
Cumulative translation adjustment		<u>-</u>	66,423		<u>66,423</u>
		<u>-</u>			<u>66,423</u>
Comprehensive loss		<u>- 4,944,657</u>			<u>- 4,645,409</u>

## 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)