CANDENTE GOLD CORP.
(An Exploration stage company)

Management Discussion and Analysis
Quarter Ended June 30, 2010

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 August 11, 2010 and should be read in conjunction with the Company's unaudited consolidated financial statements and the notes thereto for the quarter ended June 30, 2010 ("Q1-2011") and the audited consolidated financial statements and the notes thereto for the period from incorporation to March 31, 2010, which were prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

All the financial information presented in this document is expressed in U.S. dollars, unless otherwise noted.

Candente Gold's common shares are listed on the Toronto Stock Exchange ("TSX") 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.

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.

CORPORATE DEVELOPMENTS

On April 24, 2009, Candente Copper Corp. ("Candente Copper", formerly Candente Resource Corp.) and Canaco Resources Inc. ("Canaco") created Candente Gold.

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 El Oro (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 has a principal amount of Cdn$1,300,000 ($1,239,157 at December 31, 2009), payable in cash or convertible into units of Candente Gold, based on the same terms and conditions as the private placement financing Candente Gold completed in the quarter ended December 31, 2009. On December 31, 2009, Candente Copper converted its $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 its promissory note and the Company paid Cdn$350,000 of the principal on June 30, 2010. The Cdn$950,000 that remains outstanding is due to be paid by the Company on or before April 30, 2011.

In addition, on December 17, 2009, Candente Copper transferred its Peruvian gold-silver properties (the "Properties") to Candente Gold 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 US$5 million has been spent cumulatively by Candente Gold on the Properties. The Company accounted for the consideration in respect of the 13,500,000 Candente Gold shares at a value of $4,422,011, comprised of the Candente Copper carrying cost of $4,663,251 less $241,240 due in cash to Candente Copper in respect of annual license costs paid for the Properties in 2009 by Candente Copper.

Pursuant to TSX policy, on January 6, 2010 the Company was deemed to have issued 872,890 Company warrants ("Company Deemed Warrants") to warrant holders of Candente Copper on the basis of one Company warrant for every five warrants in Candente Copper outstanding at that date. The 4,364,450 Candente Copper warrants then outstanding (the "Copper Warrants") had exercises prices ranging from Cdn$1.75 to Cdn$2.00. All of the Copper Warrants and Company Deemed Warrants expired unexercised on June 26, 2010.

Also pursuant to TSX policy, on January 6, 2010 the Company was deemed to have issued 1,638,350 Company options ("Company Deemed Options") to option holders of Candente Copper on the basis of one Company option for every five options in Candente Copper outstanding at that date. The 8,191,750 Candente Copper options then outstanding (the "Copper Options") have exercise prices ranging from Cdn$0.42 to Cdn$1.40 and expiry dates from January 3, 2011 to November 24, 2014. A total of 2,373,000 of the Copper Options and 474,600 of the Company Deemed Options were forfeited in the quarter ended March 31, 2010. The Company will receive or has received 24.06% of the exercise price on the exercise of the Copper Options, based on a predetermined formula that considered the weighted average prices of Candente Copper and Candente Gold on the first five days of Candente Gold's trading on the TSX.

During the quarter ended December 31, 2009, the Company completed a private placement (the "Private Placement") for gross proceeds of $8,508,378 (Cdn$9,028,130) from the sale of units ("Units") consisting of one Company common share and one half-warrant ("Warrants). Pursuant to the Private Placement, the Company issued a total of 22,570,327 common shares and certificates representing 11,285,162 Warrants. Each full Warrant is exercisable at a price of Cdn$0.60 per common share until January 4, 2012. The Warrants were valued by the Company at $1,624,195. The Company also paid to agents assisting in the Private Placement a total of $298,528 (Cdn$313,186) in cash commissions and issued to the agents 735,345 warrants ("Agents' Warrants"). The cash commissions and Agents' Warrants equal 6.5% of the aggregate number of Units sold by the agents pursuant to the Private Placement. Each of the Agents' Warrants is exercisable for a period of 24 months to purchase one additional common share of the Company at a price of Cdn$0.60 per share. The Agents' Warrants issued as finders' fees were valued by the Company at $105,834.

The Company posted a loss in Q1-2011 of $1,478,828, comprised of exploration expenses of $645,280 and general and administrative expenses of $833,548. The most significant general and administrative expense was $429,339 for stock-based compensation expense (a non-cash expense), for options vested in the quarter. Most of the exploration expenses were incurred in the El Oro project.

Loss per share in the quarter ended June 30, 2010 was $0.03.

CANDENTE GOLD EXPLORATION PROJECTS

EL ORO

El Oro is located in central Mexico, and includes historic mines which are past producers of gold and silver. 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 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"), and both the issue of shares and the completion of certain levels of exploration expenditures on El Oro are required to exercise the Option.

A total of $1,700,000 in exploration expenditures had been made on El Oro by November 30, 2008, and on or before November 30, 2008 Candente Copper and Canaco issued to Luismin a total of 125,000 shares in each of their respective registered capital, all as required by the 2006 Agreement as part of the consideration for the exercise of the First 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 250,000 Candente Gold shares on or before November 30, 2009 and 250,000 Candente Gold shares on or before May 30, 2010 (both completed);

- Be required to issue to Luismin 250,000 Candente Gold shares on or before November 30, 2010 and 250,000 Candente Gold shares on or before November 30, 2011;

- Commit to cumulative exploration expenditures totaling $2,500,000 to be completed on or before May 30, 2010 (completed);

- Be required to make an additional $2,500,000 in exploration expenditures on or before November 30, 2011;

The 2006 Agreement, as amended, now provides that should the Company exercise the Second Option. the Company would be:

- 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.

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 is reported to be 6.4 million ounces of gold and 74 million ounces of silver 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 ("m") vertical and a 2.4 km strike length. The San Rafael vein system is analogous to other epithermal vein systems mined in Mexico such as the Fresnillo, Guanajuato, and Pinos Altos mines where gold and silver occurs 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.

In February 2010, Candente Gold began exploration activity on the El Oro site. The current exploration program includes underground drifting and drilling in the San Rafael vein system, surface drilling in the Oriente Area, and regional exploration of the entire district including systematic exploration of all known veins.

In the San Rafael vein system, drilling from underground is targeting both extensions to the high-grade bonanza zones at depth and the Remnant Resource (Historic and non-43-101 compliant) previously estimated by Luismin. The San Juan adit is being used to access the San Rafael vein, and rehabilitation required to make it safe was minimal. During the rehabilitation of the San Juan adit, mapping and sampling of the adit was completed with sampling of zones of alteration along the main drift as well as the Calera vein stope and backfill material removed from the San Juan (75 level) and upper 72 level. Sampling of the San Rafael vein in the sub-level in the Consuelo adit was also completed. Assays are pending.

The first stage of underground drilling comprises short holes in the footwall to the vein to evaluate the Remnant Resource above the water level in this portion of the vein. Following this first stage of drilling, work will be carried out to continue the tunnel through the vein into the hanging wall to enable deeper drilling of the San Rafael vein below historic workings. As of August 5, 2010 a total of 10 holes were drilled in a fan array in the footwall to the San Rafael vein system and were two fold in approach a) For engineering and mine planning purposes; and b) to define geology and grade of the remnant resource above the San Juan level. Assays for these drill holes are also pending.

The surface drilling program began on 17th April in the Zona Oriente region where the combination of geophysical, geochemical as well as alteration and anomalous values in outcrop (Andrea vein) have highlighted a series of structures that may represent veins or mineralized structures at depth.

The exploration approach was to test both the Andrea structure exposed in a creek bed as well as geophysical NSAMT targets identified by the survey completed in 2007. Borehole ZO10-01 was drilled at -65° and in tersected the Andrea structure at 180m (120m vertically below surface) and the NSAMT structure at a down-hole depth of 325 m (250 m vertically) the hole was completed to a depth of 405 m. Borehole ZO10-02 drilled at -70° inter sected the Andrea structure at 275 m down hole depth (250 m vertical depth) and the NSAMT structure at 625 m (550 m vertical depth). The hole was completed to a final depth of 670 m. Borehole ZO10-03 drilled at -70° reached a depth of 220 m before it was abandoned due to poor ground conditions as the hole continually collapsed and no advance was possible. Borehole ZO10-04 was therefore stepped back from the same platform and is currently at a depth of 756 m. A structure interpreted as the NSAMT feature was intersected at a down hole depth of 400 m with the Andrea structure anticipated at approximately 775 m down-hole depth or 700 m vertically below surface. Assays are pending for the holes drilled to date. The geology of holes ZO10-01 to 04 will be sent off to Zonge Engineering (the geophysical contractor) for further re-interpretation of the data in light of the geological information gained during this initial drilling phase. The results obtained from borehole ZO10-04 and the re-interpretation of the NSAMT by Zonge Engineering will determine whether further drilling will be conducted on the Andrea/NSAMT structures.

Following the completion of borehole ZO10-04, the rig will be moved to the south-west of the Zona Oriente region to drill the Veta Oriente target. This is also a coincident geochemical/geophysical target with evidence of an old shaft and vein at surface. This area was sampled by Luismin in 1987 when 22 grab samples were collected in the area of the old shaft of which 14 samples reported values >0.50g/t Au, the best value being 2.35 g/t Au + 31.0 g/t Ag over 1.00m. These samples also showed anomalous values in As (280ppm), Sb (412ppm) and Cu (184ppm).

Regional Exploration

Mapping/re-sampling and a total re-evaluation of the Cortaduras area within the western portion of the license area within the Tlalpujahua Mining District are currently underway. The area contains quartz stockwork and larger veins. This area has previously been assessed for its low-grade bulk tonnage potential and a review of the historic database indicates that Luismin's bore holes intersected grades of m 0.23 g/t Au + 200.00 g/t Ag over 13.45 m in hole #1. The current target is a low sulphidation epithermal vein system like the other well mineralized veins in the El Oro District. Re-sampling and mapping of the surface geology/trenches and underground adits have been completed, and once results have been received a report with recommendations will be forwarded to the Company.

Mark Pryor, Pr.Sci.Nat., Vice President Exploration, Sean Waller, P.Eng., Vice President and Joanne C. Freeze, P.Geo., President and CEO, are the qualified persons responsible for the review of El Oro technical information.

PERUVIAN GOLD-SILVER PROPERTIES

The main Peruvian gold-silver properties transferred from Candente Copper are listed below. The following disclosure has been prepared by or under the supervision of Sean I. Waller, Vice President of the Company and Joanne C. Freeze, President, CEO and director of the Company, both of whom are qualified persons for the purposes of NI-43-101. All of these properties are 100% owned by the Company and are without reserves. Candente Gold's current operations on these properties consist of an exploratory search for mineable deposits of minerals, and previous work completed by Candente Copper on these properties was exploratory in nature.

Tres Marias

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 (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 but prior to drilling it is recommended that the area of the vein system be covered by a Natural Source Audio Magnetic Telluric survey (NSAMT) which could assist in better definition of the known veins/structures and also possibly locate other hidden structures with veins. Detailed mapping and rock and soil geochemical sampling is recommended on the Soracha and San Francisco zones to define drill targets.

Fredito

The 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 believed to be analogous to IOCG deposits. 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 gave highly anomalous gold and silver assays. The property has potential to host epithermal gold-silver deposits and mantos style silver-lead-zinc deposits.

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.

The Brujas-Picota Project

The 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. The exploration targets include six zones with gold-silver bearing veins, breccias and structures and areas between the six zones which have had little exploration. The property has only had very preliminary exploration.

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 Claims

This property 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).

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, as described below, 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.

RESULTS OF OPERATIONS

During Q1-2011 the Company posted a loss of $1,478,828 compared to a loss of $327,124 in the quarter ended June 30, 2009 ("Q1-2010"). The Company is in the exploration stage, with no significant sources of revenue. Expenses are significantly higher than in the comparative quarter as the Company commenced in Q1-2011 an active exploration program that was pending completion of a financing.

The Company's General and Administrative expenses in Q1-2011 were $833,548 (Q1-2010: $283,306). Candente Gold shares certain General and Administrative expenses with Candente Copper. The most significant expenses in the period were stock-based compensation of $429,339 for options vested in the quarter (($nil in Q1-2010), followed by a foreign exchange loss of $152,678 (Q1-2010: $102,574), mostly of an unrealized nature, management fees, salaries and benefits of $82,933 (Q1-2010: $18,833) and corporate development expenses of $74,888 (Q1-2010: $nil). Stock-based compensation expense is recorded at option vesting dates and was therefore nil in Q1-2010 as no Candente Gold options were issued during that quarter.

The Company also incurred Exploration expenses of $645,280 in Q1-2011. The most significant expenses were drilling of $208,772 ($nil in the comparative quarter), geological fees of $143,373 (Q1-2010: $36,970) and exploration administration charges of $144,396 ($nil in Q1-2010). Most of the Exploration expenses in fiscal 2010 were incurred in respect of the El Oro project.

As anticipated, exploration expenses have increased substantially in the current fiscal year, as the Company carries out a drilling program in El Oro. It is anticipated that most of the exploration expenses to be incurred in the remaining quarters of fiscal 2011 will be incurred in El Oro.

(Expressed in U.S. Dollars, Unless Otherwise Noted)

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

	Incurred to March 31, 2010 ($)	Incurred in QE June 30, 2010 ($)	Cumulative costs to date ($)
EL ORO			
Depreciation	4,655	1,800	6,455
Assays	-	7,601	7,601
Exploration administration	21,340	136,691	158,031
Camp, field supplies & travel	41,055	84,892	125,497
Drilling	9,582	208,772	218,354
Equipment maintenance & rental	6,938	960	7,898
Geological & geophysical	274,505	132,990	407,495
Geographical information systems	2,882	26,356	29,238
	360,957	600,062	961,019
LUNAHUANA			
Exploration administration	8,530	1,073	9,603
Camp, field supplies & travel	432	-	432
Equipment maintenance & rental	499	-	499
Field support & personnel	2,935	3,480	6,415
Geological & geophysical	842	2,521	3,363
	13,238	7,074	20,312
ORO QUEROPALCA			
Exploration administration	2,618	545	3,163
Field support & personnel	1,175	1,767	2,942
Geological & geophysical	84	537	621
	3,877	2,849	6,726
ALTO DORADO/TORIL			
Exploration administration	3,891	2,121	6,012
Camp, field supplies & travel	174	353	527
Equipment maintenance & rental	829	865	1,694
Field support & personnel	746	5,662	6,408
Geological & geophysical	253	537	790
	5,893	9,538	15,431
FREDITO			
Exploration administration	3,687	988	4,675
Camp, field supplies & travel	-	216	216
Equipment maintenance & rental	-	360	360
Field support & personnel	1,656	2,628	4,284
Geological & geophysical	789	537	1,326
	6,132	4,729	10,861
LAS BRUJAS			
Exploration administration	2,618	565	3,183
Field support & personnel	-	1,831	1,831
Geological & geophysical	1,175	537	1,712
	3,793	2,933	6,726
PAMEL			
Exploration administration	331	461	792
Camp, field supplies & travel	44	-	44
Equipment maintenance & rental	52	-	52
Field support & personnel	52	1,495	1,547
	479	1,956	2,435
TRES MARIAS			
Exploration administration	2,980	1,083	4,063
Camp, field supplies & travel	146	487	633
Equipment maintenance & rental	-	311	311
Field support & personnel	1,192	2,714	3,906
Geological & geophysical	1,548	537	2,085
	5,866	5,132	10,998

(Expressed in U.S. Dollars, Unless Otherwise Noted)

	Incurred to March 31, 2010 ($)	Incurred in QE June 30, 2010 ($)	Cumulative costs to date ($)
OTHER PROJECTS			
Assays	558	-	558
Exploration administration		868	868
Equipment maintenance & rental		2,828	2,828
Camp, field supplies & travel	7,446	2,135	9,581
Field support & personnel	191	5,176	5,367
Geographical information systems	3,848	-	3,848
	12,043	11,007	23,050
	412,278	645,280	1,0575,580

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	QE June 30, 2010	QE March 31, 2010	QE Dec. 31, 2009	QE Sept. 30, 2009
Total revenue	$ -	$ -	$ -	$ -
Net loss	(1,478,828)	(752,490)	(170,070)	(373,859)
Basic and diluted loss per share	(0.03)	(0.06)	(0.02)	(0.04)
	QE June 30, 2009	**QE March 31, 2009***	**QE Dec. 31, 2008**	**QE Dec. 31, 2008**
Total revenue	$ -	$ N/A	$ N/A	$ N/A
Net loss	(327,124)	N/A	N/A	N/A
Basic and diluted loss per share	(0.03)	N/A	N/A	N/A

* The Company was incorporated on April 24, 2009 therefore there are no financial statements for quarters ending prior to that time

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2010 the Company had cash and cash equivalents of $5,380,877 and working capital of $4,511,185, compared to cash and cash equivalents of $6,944,999 and working capital of $5,876,835 at March 31, 2010.

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

During the quarter ended December 31, 2009, the Company completed a private placement (the "Private Placement") for gross proceeds of $8,508,378 (Cdn$9,028,130) from the sale of units ("Units") consisting of one Company common share and one half warrant ("Warrants). Pursuant to the Private Placement, the Company issued a total of 22,570,327 common shares and certificates representing 11,285,162 Warrants. Each full Warrant is exercisable at a price of Cdn$0.60 per common share until January 4, 2012. The Warrants were valued by the Company at $1,624,195. The Company also paid to agents assisting in the Private Placement a total of $298,528 (Cdn$313,186) in cash commissions and issued to the agents 735,345 warrants ("Agents' Warrants"). The cash commissions and Agents' Warrants equal 6.5% of the aggregate number of Units sold by the agents pursuant to the Private Placement. Each of the Agents' Warrants is exercisable for a period of 24 months to purchase one additional common share of the Company at a price of Cdn$0.60 per share. The Agents' Warrants issued as finders' fees were valued by the Company at $105,834.

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.

The Company shares with Candente Copper some of its general and administrative overhead.

As of June 30, 2010 the Company had accounts payable and accrued liabilities of $448,025, of which $145,121 is an account payable to Candente Copper in connection with cost-sharing of certain administrative expenses for the period April to June 2010.

The Company also has outstanding a promissory note of $1,275,510 (Cdn$1,300,000) to Canaco which is payable on demand. A payment of $333,524 (Cdn$350,000) on the note was made by the Company in Q1-2011; the balance of Cdn$950,000 is due to be paid on or before April 30, 2011.

Operating Activities

Cash used in operations during Q1-2011, including the changes in non-cash working capital items, was $912,107 (Q1-2010: cash generated from operations of $5,167).

Financing Activities

During the quarter ended June 30, 2010, a total of 10,000 warrants were exercised for proceeds of $5,796, and the Company made a cash payment of $335,524 towards a promissory note issued in connection with the acquisition of El Oro in 2009.

No financing cash flows were received or paid in Q1-2010.

Investing Activities

In Q1-2011, the Company made annual cash payments of $287,279 to maintain the good standing of its mineral properties in Peru and purchased plant and equipment of $35,497, including various geological information systems licenses. The Company also paid VAT tax credits in Peru of $1,511. VAT tax credits in Peru may only be recovered as credits against VAT payable from future sales generated by the Company.

In Q1-2010, the Company received cash of $22,247 in connection with the transfer of El Oro.

TRANSACTIONS WITH RELATED PARTIES

During Q1-2011 a total of $84,691 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 (Q1-2010: $28,075). These amounts are included as a component of exploration costs.

During Q1-2011, a total of $54,950 (Q1-2010: $19,149) was paid as salaries and bonuses to various officers of the Company and $11,671 was paid or accrued to private companies associated with officers and directors of the Company for management services rendered (Q1-2010: $nil). These amounts are included in general and administrative expenses.

Included in accounts receivable at June 30, 2010 is $10,540 owed to the Company by certain officers for expense advances. Included in accounts payable and accrued liabilities at June 30, 2010 is $45,701 owed by the Company to certain officers and directors of the Company for services rendered, reimbursement of expenses and directors' fees.

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

At June 30, 2010, a director and officer of the Company served as a director and officer of Candente Copper and three of the Company's officers served as officers of Candente Copper (Note 4). During the period ended June 30, 2010, the Company and Candente Copper shared certain office and administrative expenses and Candente Copper made certain payments on behalf of the Company. As of June 30, 2010, a total of $145,121 was due from the Company to Candente Copper for reimbursement of shared general and administrative expenses

CRITICAL ACCOUNTING ESTIMATES

There were no changes to the nature or the Company's critical accounting estimates during Q1-2011. The preparation of the Company's financial statements in conformity with generally accepted accounting principles in Canada requires management to make judgments with respect to certain estimates and assumptions. These estimates and assumptions, based on management's best judgment, affect the reported amounts of certain assets and liabilities, including disclosure of contingent liabilities. On an ongoing basis, management re-evaluates its estimates and assumptions. Actual amounts, however, could differ significantly from those based on such estimates and assumptions.

Significant areas critical in understanding the judgments that are involved in the preparation of the Financial Statements and the uncertainties inherent within them include the determination of impairment of long-lived assets, assets retirement obligations and stock-based compensation.

Impairment of Long-Lived Assets

CICA Handbook Section 3063: "Impairment of Long-Lived Assets" ("Section 3063") established standards for the recognition, measurement and disclosure of impairment of long-lived assets. Long-lived assets are impaired whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable in which case an impairment loss is recognized and charged to operations.

The Company's long-lived assets consist of equipment and mineral properties. Equipment is recorded at cost and amortized on a straight line basis at the following rates: 3 and 3.34 years (Mexico) for computer equipment; and 4 years for vehicles. Acquisition costs relating to mineral properties are capitalized at cost, less recoveries in the pre-production stage, until such time as these properties are put into commercial production, sold or abandoned. Upon commencement of production, capitalized mineral property acquisition costs will be charged to the results of operations over the estimated life of the mine in accordance with the units-of-production method.

At the end of each accounting period, the Company reviews the carrying value of its long-lived assets based on a number of factors. For capitalized mineral property costs, these factors include analysis of exploration results, permitting considerations and current economics. Should the Company determine that an impairment has occurred, the Company would write-down the recorded value of the long-lived asset to the results of operations.

Stock-Based Compensation

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

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. This model requires the calculation of certain variables, including the volatility of the Company's stock price, requiring various estimates and assumptions be made by management. Actual results may be significantly different from those calculated using this model.

ACCOUNTING PRONOUNCEMENTS

Business Combinations, Consolidated Financial Statements and Non-controlling interest

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements." The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") IMPLEMENTATION PLAN

In February 2008, the Accounting Standards Board ("AcSB") approved a strategic plan which requires public companies to converge with IFRS for fiscal periods beginning on or after January 1, 2011. The Company will therefore be required to have comparative financial information prepared under IFRS as of April 1, 2010.

The Company has initiated its IFRS convergence project and has set the following timing objectives: to be in a position to convert its March 31, 2010 Canadian GAAP Balance Sheet to IFRS in Q2-2011, to produce financial statements under Canadian GAAP and IFRS in fiscal 2011 in order for the Company to disclose to users of its financial statements the quantitative differences arising in 2011 under both frameworks, and to produce IFRS financial statements as of April 1, 2011.

In order to meet these objectives the Company's CFO has attended IFRS courses and in-house training sessions in 2009 and 2010. Peruvian and Mexican accountants are also familiar with IFRS.

The Company believes that the adoption of IFRS will not have a major effect on its overall operations except for the fact that the conversion effort may require additional resources (external) to assist with the documentation process and on an ongoing basis, disclosure requirements will increase substantially. The Company will be able to continue using its current information technology platforms in Canada, Mexico and Peru.

The Company has identified key areas affected by the conversion to IFRS: functional currency, impairment analysis, related party transactions and measurement of stock-based compensation.

The changes to functional currency are in respect to the fact that the functional currency of the parent company will be the Canadian dollar and not the U.S. dollar; subsidiaries in Mexico and Peru will need to determine and document their own functional currencies and the Company's presentation currency will continue to be the U.S. dollar. The translation of the financial statements of each company in the group to U.S. dollars under IFRS will be as follows: All assets and liabilities will be translated at closing rates (as opposed to the translation under Canadian GAAP where non-monetary assets and liabilities are translated at historical rates) and income and expenses will be translated at average rates (as they are under Canadian GAAP), with all resulting exchange differences recognized as a separate component of equity (as opposed to including translation gains or losses in income as occurs under Canadian GAAP). Equity will be translated at the Company's choice of historical or current rate (under Canadian GAAP, historical rates are used). The choice of policy for translation of equity items will need to be applied consistently and has not yet been determined by the Company. However, it should be noted that if the historical rate is chosen, resulting exchange differences will be recognized in a separate component of equity, so the policy choice has no impact on total equity.

Impairment requirements under IFRS are stronger than under Canadian GAAP. Annual impairment testing will be required in respect of the Company's mineral properties.

Under IFRS there are no special recognition or measurement requirements for related party transactions. Under Canadian GAAP, related party transactions are subject to special recognition or measurement requirements, as was the case with the transfer of properties from Candente Copper to Candente Gold (transferred at their carrying value). The transfer of properties will need to be re-measured under IFRS.

The Company has considered the potential effect of share based payments under IFRS and has concluded that there will be no material impact on its financial statements on adoption of IFRS, as these payments are normally restricted to stock options granted by the Company which all vest within the year granted. Under IFRS, the concept of "graded vesting" frontloads the stock based compensation expense for options granted such that the expense is higher in initial quarters and reduces as options vest, as opposed to "straight line vesting" under Canadian GAAP. However, the effect on annual results is the same under IFRS and Canadian GAAP provided options vest in full within the year granted. The calculation of the underlying fair value under both IFRS and Canadian GAAP is the same and the changes are only with respect to the timing of the allocation of the resulting cost as options vest.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for designing, establishing and maintaining a system of ICFR to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with generally accepted accounting principles.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's design and operating effectiveness of the Company's internal control over financial reporting as of June 30, 2010.

Management has concluded that, as June 30, 2010, the Company's ICFR contain material weaknesses resulting from the Company's need to accommodate for reduced staff levels in Canada and the lack of adequate segregation of duties in the financial close process in Canada. The Company believes however, that adequate segregation of duties exists in Peru and Mexico with respect to domestic accounting in those countries and with respect to subsidiary reporting to head office, as financial statements produced by the Company's accountants both in Peru and Mexico are subject to a review process by the Company's Chief Financial Officer. As of June 30, 2010, the Company's Chief Financial Officer is responsible for preparing, authorizing and reviewing information for the preparation of financial reports and for preparing and reviewing the resulting financial reports, which has the potential to result in material misstatements in the Company's financial statements and should be considered a material weakness of the Company's system of ICFR.

Management has concluded, and the audit committee has agreed that, taking into account the present stage of the Company's development, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the weakness at this time. Management is in the process of designing ICFR to accommodate for the Company's current level of operations; the Company will also need to test the effectiveness of ICFR.

SUBSEQUENT EVENTS

On August 12, 2010, the Company's shares started trading on the Lima Stock Exchange.

OTHER MD&A REQUIREMENTS

As of August 11, 2010, the Company has outstanding 49,988,327 common shares, 13,485,507 warrants (at Cdn$0.60 to per share) and 4,188,250 exercisable 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.

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 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 Copper'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