

CANDENTE GOLD CORP.
(An Exploration stage company)

Management Discussion and Analysis
Three Months Ended June 30, 2011

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 September 13, 2011 and should be read in conjunction with the Company's condensed consolidated interim financial statements for the quarter ended June 30, 2011 ("Q1-2012") and the Company's audited consolidated financial statements and the notes thereto for the year ended March 31, 2011 ("fiscal 2011").

We note that the Company's financial statements are reported under International Financial Reporting Standards ("IFRS") for the first time this quarter. 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 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.

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 - 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 km strike length and at grades averaging 9-16 g/t 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 is mined 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.

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 issue 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 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 (both completed);
- 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 (completed);

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

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

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

Current Exploration

Candente Copper and Canaco suspended operations at El Oro in 2008 following 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.

Exploration since February 2010 has included drilling of the San Rafael vein system from both surface and from underground within the San Juan adit, backfill and sidewall sampling within the San Rafael vein during reclamation of the San Juan adit to confirm the historic grades, drilling of exploration targets in the Oriente area of the district, remapping and resampling of old trenches in the Cortaduras area, remapping and sampling of the San Francisco de Los Reyes area, and rehabilitation of the pre-existing Dos Estrellas underground tunnel system to provide future underground drilling access

The current exploration program in the El Oro district is focused on rehabilitation of the pre-existing Dos Estrellas underground tunnel system to provide underground drilling access, surface drilling along San Rafael Vein system from the Cerro Somera, Tiro Norte and other areas, and systematic exploration of several other target areas.

Dos Estrellas Tunnel Rehabilitation

The underground rehabilitation and drifting program in the pre-existing Dos Estrellas tunnel was started in March 2011 and as of this date is still in progress. The objective of this work is to provide access for underground drilling to evaluate the Verde vein (at approximately 550 metres into the tunnel), and then the northwest extension of the San Rafael vein (at approximately 1,700 metres into the tunnel). The Dos Estrellas tunnel intersects the Verde vein at 750m and the San Rafael vein at 1,900 metres, but drilling is planned to be carried out from the hanging wall side of both veins, in order to provide better drill locations to test well below the historical underground workings.

The Company is also currently sampling and mapping the main structures and veins encountered along the Dos Estrellas tunnel as reclamation progresses. This work, together with the ongoing surface mapping, is expected to provide greater structural control for future drill programs in this area. Assay results from this sampling are currently pending.

Surface Drilling – San Rafael Vein

In September 2010, reclamation of the San Juan adit and underground drilling of the southern end of the San Rafael vein was suspended due to the presence of unsafe ground conditions in area of extensive backfill. The drill was moved and surface drilling of the northern end of the San Rafael vein began from the top of Cerro Somera in November 2010, targeting potential gold and silver mineralization below the old workings of the San Rafael vein – both unmined extensions to known high-grade mining blocks, and a potential stacked system well below the historic workings. Since November 2010, 13 holes plus 8 wedged holes, totaling 11,040.6 metres have been drilled from surface along the San Rafael vein system. A summary of the drilling is presented in Table 1 below.

TABLE 1 – Summary of Surface Drilling – November 2010 to current

Hole ID	Collared	Dip	Az	L (m)	Total (m)	Target Tested	Results	Notes
SR-10-001	200m at the SW of Tiro Reforma.	-60	080	753.0	753.0	NW extension of San Rafael Vein, below the historical workings.	From 508.0 to 509.0m ; 0.03 Au g/t; 54 Ag g/t.	Difficult Drill conditions.
SR-10-001W1	200m at the SW of Tiro Reforma.	-60	080	578.0	1,331.0	NW extension of San Rafael Vein, below the historical workings.	From 501.8 to 502.2m; 0.02 Au g/t; 230 Ag g/t and From 513.8 to 516.6m; 0.07 Au g/t; 19.32 Ag g/t.	Difficult Drill conditions.
SR10-001W2	200m at the SW of Tiro Reforma.	-60	080	555.0	1,886.0	NW extension of San Rafael Vein, below the historical workings.	No significant values.	Difficult Drill conditions.
SR10-002	Top of Cerro Somera.	-70	060	169.5	2,055.5	SR vein above 2,400 masl; historical high grade Au zone in level 8.	None	Hole abandoned due to deviation of > 12°.
SR10-002A	Top of Cerro Somera.	-68	058	610.0	2,665.5	SR vein above 2,400 masl; historical high grade Au zone values in level 8.	From 373.1 to 448.0m; 0.96 Au g/t; 5.06 Ag g/t and From 503.3 to 503.9m; 18.14 Au g/t; 137 Ag g/t.	Discovery of the Somera tuff with Buddingtonite and Veta Nolan.
SR10-002W1	Top of Cerro Somera.	-68	058	596.0	3,261.5	SR vein above 2,400 masl; historical high grade Au zone in level 8.	From 391.0 to 460.2 m; 1.06 Au g/t; 7.93 Ag g/t and From 508.5 to 509.0m; 2.41 Au g/t; 372 Ag g/t.	Discovery of the Somera tuff with Buddingtonite and Veta Nolan.
SR10-003	200m at the SW of Tiro Reforma.	-68	070	430.0	3,691.5	NW extension of San Rafael Vein, below the historical workings.	No significant values. Hole pending to finishing.	This hole will be completed once the Somera drilling has been completed.
SR11-001	Top of Cerro Somera.	-73	060	51.0	3,742.5	SR Vein, below 2,400 masl; high grade zone projected by Placer in 2003	None	Hole deviated, 11° from the original Az., has to be shot down after 51m. Deep.
SR11-001A	Top of Cerro Somera.	-73	060	819.0	4,561.5	SR Vein, below 2,400 masl; high grade zone projected by Placer in 2003	From 444.5 to 446.35m; 30.65 Au g/t; 3.0 Ag g/t and From 669.3 to 702.3m; 13.69 Au g/t; 6.5 Ag g/t.	Hole hit Angelica Vein at 2,550 masl and San Rafael Vein at 2,300 masl.
SR11-001A-W1	Top of Cerro Somera.	-81	078	45.5	4,607.0	SR Vein, below 2,400 masl	None	Wedge abandoned due to drill starting lost down hole.
SR11-002	200m E of San Patericio Shaft	-65	065	549.0	5,156.0	SR vein, high grade zone projected by Placer in 2003, close to San Patricio Shaft	No significant values.	Hole hits old workings, can't pass them.

Hole ID	Collared	Dip	Az	L (m)	Total (m)	Target	Results	Notes
SR11-003	200m E of San Patricio Shaft	-68	065	918.0	6,074.0	SR vein, second mineralized system at depth.	No significant values.	Hit San Rafael as Qtz - Bxx - Vein with sulphides at the very end of this hole.
SR11-003-W1	200m E of San Patricio Shaft	-66	065	384.0	6,458.0	SR vein, second mineralized system at depth.	No significant values.	Hit San Rafael as Qtz - Bxx - Vein with sulphides at the very end of this hole.
SR11-003-W2	200m E of San Patricio Shaft	-65	065	305.0	6,763.0	SR vein, second mineralized system at depth.	From 620.2 to 621.8m; 3.828 Au g/t; 4.5 Ag g/t.	The section shows we have the potential between 2,250 to 2,350 masl and the second body can be deeper.
SR11-004	300m to the West of Skip shaft	-70	061	707.0	7,470.0	San Rafael Vein high grade Au zone projected by Placer in 2003, below the old workings.	From 431.5 to 432.3m; 7.70 Au g/t; 3.50 Ag g/t.	Hit San Rafael vein as a Qtz - Bxx - Vn, No sulphides.
SR11-004-W1	300m to the West of Skip shaft	-68	061	269.7	7,739.7	San Rafael Vein high grade Au zone projected by Placer in 2003, below the old workings.	From 449.95 to 451.1m; Au 0.07 g/t; 315 Ag g/t.	Hit San Rafael as a Qtz - Bxx - Vein, No Sulphides.
SR11-005	300m to the West of Skip shaft	-80	061	663.4	8,403.0	San Rafael Vein high grade Au zone projected by Placer in 2003, below the old workings.	No significant values.	
SR11-005-W1	300m to the West of Skip shaft	-77	061	1.0	8,404.0	San Rafael Vein high grade Au zone projected by Placer in 2003, below the old workings.	No significant values.	Wedge abandoned due to drill starting lost down hole.
SR11-006	300m to the West of Skip shaft	-90	0	688.9	9,092.9	San rafael Vein, second mineralized system at depth.	No significant values.	San Rafael Occurs at depth , as a Qtz - Bxx - Vein, with very little sulphides.
SR11-007	Below of the San Juan Adit, SR stops.	-65	50	481.6	9,574.5	San Rafael Vein high grade Au zone projected by Placer in 2003, above 2,400 masl.	Results pending	Hit San Rafael Vein as a Qtz - Bxx - Vein, good looking textures..
SR11-008	300m to the West of Skip shaft	-75	61	536.5	10,110.9	San Rafael Vein high grade Au zone projected by Placer in 2003, below 2,400 masl.	Results pending	Hit San Rafael as a Qtz - Bxx - Vein, No Sulphides.
SR11-009	Below of the San Juan Adit, SR stops.	-62	46	469.4	10,580.3	San Rafael Vein high grade Au zone projected by Placer in 2003, above 2,400 masl.	Results pending	Hit San Rafael Vein as a Qtz - Bxx - Vein, good looking textures..
SR11-010	300m to the West of Skip shaft	-70	75	460.3	11,040.6	San Rafael Vein high grade Au zone projected by Placer in 2003, below 2,400 masl.	Results pending	Hit San Rafael, as Qtz - Bxx - Vein. With out sulphides.

The Somera Tuff Discovery

In February 2011, it was announced that drill hole SR10-002A had intersected a new zone of gold mineralization with bulk tonnage potential located 200 metres lateral to and above the historically mined San Rafael vein. The zone, named the Somera Tuff unit, appears to be closely related to the up-dip projection of the gold bearing Angelica and Nolan veins. This volcanic - late Jurassic ignimbrite - unit between the Tertiary andesite and the Jurassic shells has demonstrated geological and mineralogical characteristics considered amenable to host a disseminated gold system.

Initial assays from the Somera Tuff unit contained 0.96 g/t gold over 74.9 metres, within which an average of 1.17 g/t gold occurs over 54.7 metres. Higher grade zones within this interval include 16.73 g/t gold over 1.4 metres and 6.86 g/t gold over 4.6 metres (see Table 3 below).

The Somera Tuff discovery is compelling for two reasons: 1). potential for large scale, bulk mineable mineralization in an entirely new area near to historic workings, and 2). the pervasive alteration seen is typical of the top of an epithermal event, and it lies next to mineralization typical of the heart of another. This reinforces Candente Gold's key concept of stacked or repeated mineralizing events, and that an entire high-grade mineralization zone may lie below the deepest known workings of the various veins in the El Oro district.

A number of holes from the current drill program have intersected the Somera Tuff unit. Re-logging of previous drill holes, where its importance as a potentially mineralized unit was not previously recognized, has identified a number of further potential intersections of the Somera Tuff. A summary of significant assay results from these intersections is presented below in Table 3. Further results are pending.

A cross section for the high grades values and the relation with the Somera Tuff is available from the Candente Gold website at: http://www.candentegold.com/i/maps/el_oro/San-Rafael-Vein-2010-2011-Drilling-Cross-Section_sm.jpg

High Grade Intersections

In May 2011 a number of high grade gold and silver values were returned from vein intersections below the historic workings of the San Rafael and other related veins. Results from this drilling are reported in Table 2 below.

The Angelica and Nolan veins, lying in the hanging wall 250-320 metres above the San Rafael vein, returned high grade values from drill hole intersections approximately 100 to 150m below their historic workings where minor production took place.

The San Rafael vein also returned an extremely significant high grade intercept from approximately 126 metres below the deepest historical production levels of the Esperanza Mine. Intersecting high grade gold in the San Rafael vein system well below the old workings confirms that historic mining did not stop because of the termination of high grade gold at depth, and that gold-silver mineralization in the El Oro district may have resulted from overlapping boiling zones that deposited gold and silver over vertical ranges far exceeding the historically mined depths.

Drilling of the San Rafael vein system from surface continues. Further results are pending.

TABLE 2 – Summary of High Grade Intersections from Surface Drilling – November 2010 to current

Drill Hole	From (m)	To (m)	Width (m)	Gold (g/t)	Silver (g/t)	Notes
SR10-002A	504	504	0.4	18.14	137	Depth projection of Nolan vein
SR10-002A-WEDGE1	509	509	0.3	2.41	372	Depth projection of Nolan vein
SR11-001A	445	447	2	30.66	3	Depth projection of Angelica vein
SR11-001A	699	702	3	13.69	6.5	Depth projection of San Rafael vein

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TABLE 3 – Summary of Somera Tuff Intersections from Surface Drilling – Current & Historical

Drill Hole	From (m)	To (m)	Width (m)	Gold (g/t)	Silver (g/t)	Notes
SR10-02A	373	448	74.9	0.96	5.06	New Somera intersection
including	373	428	54.7	1.17	5.02	New Somera intersection
and including	414	419	4.6	6.86	17.61	New Somera intersection
and including	414	415	1.4	16.73	32.5	New Somera intersection
SR11-001A	368	418	50.4	pending	pending	New Somera intersection

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

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 (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.

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 believed to be analogous to IOCG deposits. The property was acquired from Britannia Mines and was formerly known as the Columbia property.

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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.

PICOTA

The Brujas-Picota property covers extensive areas of argillic, phyllic, advanced argillic (dickite, alunite, pyrophyllite), silicification (locally vuggy to grey silica) alteration with gold-silver-bearing veins, breccias and structures. The project has potential to host high sulphidation type gold-silver deposits within large areas of vuggy silica and advanced argillic alteration with gold-silver-bearing veins, breccias and structures. 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 Tantauatay porphyry gold deposit owned by Grupo Mexico and Buenaventura.

LAS BRUJAS

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.

Current Exploration

No recent significant exploration efforts have been directed towards Candente Gold's Peruvian gold-silver projects.

RESULTS OF OPERATIONS

During Q1-2012 the Company recorded a net loss of \$1,307,265, compared to a net loss of \$1,453,111 in the quarter ended June 30, 2010 ("Q1-2011"). The Company is in the exploration stage, with no significant sources of revenue.

General and Administrative expenses in Q1-2012 were \$190,726 (Q1-2011: \$807,831), a decrease of \$617,105 mostly attributed to a decrease of \$520,436 in share-based payment expense in the current quarter and a decrease of \$61,217 in corporate development expense. The decrease in share-based payment expense is directly correlated to a significantly lower number of options vesting in Q1-2012 than in Q1-2011.

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The most significant expenses in the quarter were management fees, salaries and benefits of \$94,949 (Q1-2011: \$82,933), office, rent and miscellaneous expenses of \$41,685 (Q1-2011: \$36,158) and share-based payment expense of \$39,214 (Q1-2011: \$559,650).

Candente Gold and Candente Copper share certain General and Administrative expenses.

The Company also incurred Exploration expenses of \$1,116,539 in Q1-2012 (Q1-2011: \$645,280). The most significant expenses were drilling costs of \$550,252 (Q1-2011: \$208,772), field support and personnel of \$161,466 (Q1-2011: \$22,405), geological and geophysical costs of \$148,724 (Q1-2011: \$169,728) and exploration administration of \$135,346 (Q1-2011: \$144,396).

Most of the Exploration expenses in Q1-2012 and Q1-2011 were incurred in respect of the El Oro project. It is anticipated that most of the exploration expenses to be incurred in fiscal 2012 will also be incurred with respect to El Oro project.

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

	Incurring to March 31, 2011 (\$)	QE June 30, 2011 (\$)	Incurring to June 30, 2011 (\$)
EL ORO			
Depreciation	18,242	4,568	22,810
Assays	100,919	12,312	113,231
Exploration administration	658,878	108,059	766,937
Camp, field supplies & travel	599,263	46,866	646,129
Drilling	1,921,488	550,252	2,471,740
Equipment maintenance & rental	101,970	29,991	131,961
Field support & personnel	0	111,530	111,530
Geological & geophysical	818,104	137,880	955.84
	<u>4,218,864</u>	<u>1,001,458</u>	<u>5,220,322</u>
LUNAHUANA			
Exploration administration	18,730	1,663	20,393
Camp, field supplies & travel	2,219	103	2,322
Equipment maintenance & rental	548	373	921
Field support & personnel	16,916	4,154	21,070
Geological & geophysical	15,376	3,968	19,344
	<u>53,789</u>	<u>10,261</u>	<u>64,050</u>
ORO QUEROPALCA			
Exploration administration	3,377	-	3,377
Field support & personnel	3,245	-	3,245
Geological & geophysical	621	-	621
	<u>7,243</u>	<u>-</u>	<u>7,243</u>
ALTO DORADO/TORIL			
Assays	0	3,129	3,129
Exploration administration	14,010	4,533	18,543
Camp, field supplies & travel	2,034	1,622	3,656
Equipment maintenance & rental	1,934	3,215	5,149
Field support & personnel	12,976	4,654	17,630
Geological & geophysical	4,067	74	4,141
	<u>35,021</u>	<u>17,227</u>	<u>52,248</u>
FREDITO			
Assays	38	-	38
Exploration administration	8,754	-	8,754
Camp, field supplies & travel	652	-	652
Equipment maintenance & rental	464	-	464
Field support & personnel	9,454	-	9,454
Geological & geophysical	1,326	-	1,326
	<u>20,688</u>	<u>-</u>	<u>20,688</u>
LAS BRUJAS			
Assays	103	-	103
Exploration administration	8,287	-	8,287
Camp, field supplies & travel	1,955	-	1,955
Field support & personnel	4,772	-	4,772
Equipment maintenance & rental	109	-	109
Geological & geophysical	7,061	-	7,061
	<u>22,287</u>	<u>-</u>	<u>22,287</u>
PAMEL			
Exploration administration	500	-	500
Camp, field supplies & travel	84	-	84
Equipment maintenance & rental	266	-	266
Field support & personnel	797	-	797
	<u>1,647</u>	<u>-</u>	<u>1,647</u>
TRES MARIAS			
Assays	3,605	6,027	9,632
Exploration administration	31,572	18,911	50,483
Camp, field supplies & travel	4,232	6,028	10,260
Equipment maintenance & rental	2,033	5,090	7,123
Field support & personnel	26,512	30,802	57,314
Geological & geophysical	5,134	4,719	9,853
	<u>73,088</u>	<u>71,577</u>	<u>144,665</u>

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	Incurring to March 31, 2011	QE June 30, 2011	Incurring to June 30, 2011
	(\$)	(\$)	(\$)
OTHER PROJECTS			
Assays	1,870	240	2,110
Exploration administration	18,354	2,180	20,534
Equipment maintenance & rental	4,099	1,077	5,176
Camp, field supplies & travel	15,637	110	15,747
Field support & personnel	24,192	10,326	34,518
Geological and geophysical	6,731	2,083	8,814
	70,883	16,016	86,899
TOTAL	4,503,510	1,116,539	5,620,049

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	QE June 30, 2011 \$ (IFRS)	QE March 31, 2011 \$ (Canadian GAAP)	QE Dec. 31, 2010 \$ (Canadian GAAP)	QE Sept. 30, 2010 \$ (Canadian GAAP)
Total revenue	-	-	-	-
Loss	(1,307,265)	(1,353,086)	(1,810,361)	(1,655,468)
Basic and diluted loss per share	(0.02)	(0.03)	(0.04)	(0.03)
	QE June 30, 2010 \$ (IFRS)	QE March 31, 2010 \$ (Canadian GAAP)	QE Dec. 31, 2009 \$ (Canadian GAAP)	QE Sept. 30, 2009 \$ (Canadian GAAP)
Total revenue	-	-	-	-
Loss	(1,453,111)	(752,490)	(170,070)	(373,859)
Basic and diluted loss per share	(0.03)	(0.06)	(0.01)	(0.04)

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2011, the Company had cash and cash equivalents of \$6,539,819 and working capital of \$6,400,203, 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 quarter ended June 30, 2011, the Company recorded a net reduction in cash and cash equivalents of \$2,103,598, which included cash used in operating activities of \$1,047,991, cash used in investing activities of \$391,161 and cash used in financing activities of \$977,165.

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

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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 June 30, 2011, the Company had accounts payable and accrued liabilities of \$728,845, of which \$130,646 is an account payable to Candente Copper in connection with cost-sharing of certain general and administrative expenses for the quarterly period ended June 30, 2011.

Operating Activities

Cash used in operations in Q1-2012, including the changes in non-cash working capital items, was \$1,047,991 (Q1-2011: \$720,236).

Financing Activities

In Q1-2012, 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 \$4,716 from the exercise of 4,500 stock 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.

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 payment of \$335,524 (Cdn\$350,000) towards a promissory note issued in connection with the acquisition of El Oro in 2009.

Investing Activities

In Q1-2012, investing activities consisted of acquisition costs of \$378,719 relating to the payment of mining rights in Mexico and Peru to maintain the good standing of the properties and an increase of \$12,442 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.

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.

TRANSACTIONS WITH RELATED PARTIES

During the quarter ended June 30, 2011, a total of \$63,713 (Q1-2011: \$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. These amounts are included as a component of exploration costs.

During the quarter ended June 30, 2011, a total of \$38,658 (Q1-2011: \$54,950) was paid as salaries to various officers of the Company and \$12,289 (Q1-2011: \$11,671) 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 June 30, 2011 is \$11,314 (March 31, 2011: \$11,366) owed to the Company by certain officers for expense advances. Included in accounts payable and accrued liabilities at June 30, 2011 is \$35,784 (March 31, 2011: \$29,875) owed by the Company to certain officers and directors of the Company for services rendered and reimbursement of expenses.

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At June 30, 2011, 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. During the period ended June 30, 2011, 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, 2011, a total of \$130,646 (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 three months dated June 30, 2011 were the Company's first reporting period under IFRS.

The Company has completed its IFRS conversion project through implementation. Post-implementation will continue in the following quarters of 2011.

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 as at April 1, 2010.

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments presented in the statements of financial position and comprehensive income presented below.

- 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. The impact of the IFRS transition for the acquisition of the El Oro and Peruvian properties was a net increase of \$3,094,088 to mineral properties, offset by an increase of \$3,146,134 in common shares and a decrease of \$52,046 in other reserves.
- Note 2. Under Canadian GAAP, the Company and all of its subsidiaries had a U.S. dollar measurement currency. Under IFRS, the functional currency of the parent company is the Canadian dollar. The Company's presentation currency remains the U.S. dollar. The current rate method is required to be applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS and a cumulative translation adjustment on each statement of financial position date.
- Note 3. Under Canadian GAAP, the Company recorded stock based payments on a straight-line basis over the vesting period. Under IFRS, the Company records share based payments for each tranche within an award over the vesting period of the corresponding tranche. Under Canadian GAAP, forfeitures of awards were only recognized in the period the forfeiture occurred. Under IFRS, forfeiture estimates are recognized in the period they are estimated.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
AS AT APRIL 1, 2010					
EXPRESSED IN US DOLLARS					
			Transition		
	Canadian GAAP	Impact	Note		IFRS
ASSETS					
Current assets					
Cash and cash equivalents	6,944,999				6,944,999
Trade and other receivables	101,323				101,323
Prepays and deposits	312,851				312,851
Total current assets	7,359,173				7,359,173
Equipment	12,157	89	2		12,246
Value-added tax receivable	4,562				4,562
Unproven mineral interests	6,908,284	3,098,042	1,2		10,006,326
	14,284,176				17,382,307
LIABILITIES					
Current					
Trade and other payables	206,828				206,828
Promissory note payable	1,275,510				1,275,510
	1,482,338				1,482,338
EQUITY					
Common shares	12,344,896	3,146,134	1		15,491,030
Other reserves	2,080,485	52,046	1		2,028,439
Deficit	- 1,623,543	4,043	2		- 1,619,500
	12,801,838				15,899,969
	14,284,176				17,382,307

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
AS AT JUNE 30, 2010				
EXPRESSED IN US DOLLARS				
		Transition		
	Canadian GAAP	Impact	Note	IFRS
ASSETS				
Current assets				
Cash and cash equivalents	5,380,877			5,380,877
Trade and other receivables	151,809			151,809
Prepays and deposits	332,667			332,667
Total current assets	5,865,353			5,865,353
Equipment	45,324	- 321	2	45,003
Value-added tax receivable	6,073			6,073
Unproven mineral interests	7,314,035	3,096,067	1, 2	10,410,102
	13,230,785			16,326,531
LIABILITIES				
Current				
Accounts payable and accrued liabilities	448,025			448,025
Promissory note payable	906,143			906,143
	1,354,168			1,354,168
EQUITY				
Common shares	12,470,623	3,146,134	1	15,616,757
Other reserves	2,508,365	78,265	1,3	2,586,630
Accumulated other comprehensive loss	-	- 158,413	2	- 158,413
Deficit	- 3,102,371	29,760	2,3	- 3,072,611
	11,876,617			14,972,363
	13,230,785			16,326,531

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CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
AS AT MARCH 31, 2011				
EXPRESSED IN US DOLLARS				
		Transition		
	Canadian GAAP	Impact	Note	IFRS
ASSETS				
Current assets				
Cash and cash equivalents	8,643,417			8,643,417
Trade and other receivables	446,558			446,558
Prepays and deposits	79,832			79,832
Total current assets	9,169,807			9,169,807
Equipment	96,767	1,122	2	97,889
Value-added tax receivable	28,899			28,899
Unproven mineral interests	7,962,459	3,119,345	1,2	11,081,804
	17,257,932			20,378,399
LIABILITIES				
Current				
Accounts payable and accrued liabilities	453,515			453,515
Promissory note payable	977,165			977,165
	1,430,680			1,430,680
EQUITY				
Common shares	18,792,231	3,146,134	1	21,938,365
Other reserves	4,956,307	366,711	1,3	4,589,596
Accumulated other comprehensive loss	-	278,887	2	278,887
Deficit	- 7,921,286	62,157	2,3	- 7,859,129
	15,827,252			18,947,719
	17,257,932			20,378,399

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Reconciliations of total comprehensive income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the period ended June 30, 2010 and year ended March 31, 2011 are provided below.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS					
THREE MONTHS ENDED JUNE 30, 2010					
EXPRESSED IN US DOLLARS					
			Transition		
	Canadian GAAP	Impact	Note		IFRS
<i>General and Administrative</i>					
Depreciation	530				530
Audit and tax advisory	4,182				4,182
Bank charges and interest	1,950				1,950
Corporate development	74,888				74,888
Legal	9,523				9,523
Management and office salaries and benefits	82,933				82,933
Office, rent and miscellaneous	36,158				36,158
Travel and accomodations	22,777				22,777
Regulatory and filing fees	20,524				20,524
Shareholder communications	7,826				7,826
Share-based compensation expense	429,339	130,311	3		559,650
Interest and other income	- 9,760			-	9,760
Loss (gain) on foreign exchange	152,678	- 156,028	2	-	3,350
	- 833,548			-	807,831
<i>Exploration</i>					
Depreciation	1,800				1,800
Assays	7,601				7,601
Administration	144,396				144,396
Camp, field supplies and travel	88,082				88,082
Drilling	208,772				208,772
Equipment maintenance and rental	2,496				2,496
Field support and personnel	22,405				22,405
Geological and geophysical	169,728				169,728
	- 645,280			-	645,280
Net Loss	- 1,478,828			-	1,453,111
<i>Other comprehensive loss</i>					
Cumulative translation adjustment	-	- 158,413	2	-	158,413
	-			-	158,413
Comprehensive loss	- 1,478,828			-	1,611,524

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CANDENTE GOLD CORP.				
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS				
YEAR ENDED MARCH 31, 2011				
EXPRESSED IN US DOLLARS				
			Transition	
	Canadian GAAP	Impact	Note	IFRS
<i>General and Administrative</i>				
Depreciation	10,674			10,674
Audit and tax advisory	55,854			55,854
Bank charges and interest	8,439			8,439
Corporate development	116,611			116,611
Legal	39,223			39,223
Management and office salaries and benefits	279,117			279,117
Office, rent and miscellaneous	160,733			160,733
Travel and accomodations	42,187			42,187
Regulatory and filing fees	105,289			105,289
Shareholder communications	44,251			44,251
Share-based compensation expense	1,431,199	- 314,665	3	1,116,534
Interest and other income	- 43,903			- 43,903
Loss (gain) on foreign exchange	- 43,163	256,551	2	213,388
	- 2,206,511			- 2,148,397
<i>Exploration</i>				
Depreciation	13,587			13,587
Assays	105,977			105,977
Administration	716,467			716,467
Camp, field supplies and travel	576,779			576,779
Drilling	1,911,906			1,911,906
Equipment maintenance and rental	103,105			103,105
Field support and personnel	90,917			90,917
Geological and geophysical	572,494			572,494
	- 4,091,232			- 4,091,232
Net Loss	- 6,297,743			- 6,239,629
<i>Other comprehensive income</i>				
Cumulative translation adjustment	-		2	278,887
	-			278,887
Comprehensive loss	- 6,297,743			- 5,960,742

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.

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INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Management is also 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 in Canada.

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, 2011.

Management has concluded that, as of June 30, 2011, the Company's ICFR was not effective due to the existence of material weaknesses, including the requirement to test effectiveness of ICFR and 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, 2011, 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 for the Company's current level of operations, and the Company will also need to test the effectiveness of its ICFR.

OTHER MD&A REQUIREMENTS

As of September 13, 2011, the Company has outstanding 61,164,760 common shares, 17,586,924 warrants (at prices ranging from Cdn\$0.60 to Cdn\$1.10 per share) and 4,348,000 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 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