CANDENTE GOLD CORP.
(An Exploration stage company)

Management Discussion and Analysis
Year ended March 31, 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 June 28, 2011 and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended March 31, 2011 ("fiscal 2011"), which were prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. The Company's accounting policies are set out in Note 2 of the audited consolidated financial statements.

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") 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.

CORPORATE DEVELOPMENTS

On April 24, 2009, Candente Copper Corp. ("Candente Copper", 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, with each promissory note having 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. As at March 31, 2011, Cdn$950,000 remained outstanding on the Canaco promissory note, and were paid on June 28, 2011 (see *Subsequent Events*).

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. Candente Gold also 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 exercise 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 for 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.

In fiscal 2011, the Company completed the requirements to earn an undivided 50% interest in the El Oro project, as set out under *Candente Gold Exploration Projects- El Oro*.

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

The Company recorded a loss in fiscal 2011 of $6,297,743, compared to a loss of $1,623,543 for the period from April 24, 2009 to March 31, 2010 ("fiscal 2010"). The loss recorded by the Company is comprised of exploration expenses of $4,091,232 (fiscal 2010: $412,278) and general and administrative expenses of $2,206,511 (fiscal 2010: $1,211,265). Most of the exploration expenses were incurred in respect of the El Oro project.

Loss per share in fiscal 2011 was $0.13, compared to $0.15 in fiscal 2010.

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 (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);

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.

The first stage of underground drilling comprised 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 was carried out in an attempt to continue the tunnel through the vein into the hanging wall to enable deeper drilling of the San Rafael vein, below historic workings.

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

Gold and silver grades from underground sampling and drilling have confirmed the potential for a remnant resource in the historic workings of the San Rafael vein. Both underground drilling and sampling have demonstrated high grades of gold and silver in vein remnants. Two samples collected 55 m apart vertically have returned grades of 14.92 grams per tonne ('g/t') gold and 117.00 g/t silver over 2.1m, and 14.64 g/t gold and 54.50 g/t silver over 2.5m. Mineralized backfill material sampled to date shows an average of 4.72 g/t gold and 53.49 g/t silver.

These results support the historic gold and silver grades in a 1992 resource estimate by Luismin SA de CV (now a subsidiary of Goldcorp). This resource contained 762,000 ounces of gold and 9,750,000 ounces of silver at an average grade of 3.44 g/t gold and 44.00 g/t silver in 6,888,620 tonnes within remnant hanging and footwall vein material as well as pillars and backfill. This mineralized material was left behind as a result of a historic mine cut-off grade of ~8 g/t gold. Luismin's resource is historic in nature and non-43-101 compliant. Although evaluating this remnant resource is a secondary priority, Candente Gold expects to encounter significant amounts of this material in its underground rehabilitation and drilling program and will sample, assay and stockpile these materials throughout the San Rafael vein underground program as potential starter feed for a future mill.

Drilling from surface in the San Rafael area has recently intersected a new zone of gold mineralization with bulk tonnage potential located 200 metres laterally from the historically mined San Rafael vein. The new gold zone occurs in a pervasively altered volcanic tuff unit (Somera Tuff) and contains 0.96 grams per tonne ("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 included 16.73 g/t gold over 1.4 metres and 6.86 g/t gold over 4.6 metres (see Table 1 below).

Table 1

Drill Hole	From (m)	To (m)	Width (m)	Gold (g/t)	Silver (g/t)
SR10-02A	373.1	448.0	74.9	0.96	5.06
including	373.1	427.8	54.7	1.17	5.02
and including	413.9	418.5	4.6	6.86	17.61
and including	413.9	415.3	1.4	16.73	32.50

The Somera Tuff discovery is significant for two reasons, the first being immediate potential for large scale, bulk mineable mineralization in an entirely new area near to historic workings. The second is that the pervasive alteration is typical of the top of an epithermal event, and it sits next to mineralization typical of the heart of another. This reinforces our concept of stacked or repeated mineralizing events, and that an entire high-grade mineralization zone may lie below the deepest workings on the various veins in the El Oro district.

A conceptual model for the emplacement of gold and silver mineralization in the El Oro District is available from the Candente Gold website at www.candentegold.com/i/pdf/El_Oro_Emplacement_Model_Feb_8_11.pdf

The Somera Tuff occurs along a sub-horizontal unconformity above the sedimentary rocks that host the San Rafael and Veta Verde veins, where historic mines produced a minimum of 6.4 million ounces of gold and 74 million ounces of silver. Candente Gold believes that the system persists to depth as a series of "stacked" mineralization zones related to fluctuating boiling levels. These latest results support this thesis. The pervasive "Advanced Argillic Alteration" that affects the Somera Tuff consists of buddingtonite (an ammonia-rich feldspar) and silica. This is typical of the surface expression of low-sulphidation epithermal vein systems, and usually occurs 200-350m above the boiling level - where gold and silver are deposited. Normally, this alteration is not itself well mineralized.

The Somera gold zone was intersected during drilling to seek extensions of the San Rafael vein in areas where historic assay and level plans indicate that high grades (up to 50 g/t gold) persist below the old workings. Drill hole SR10-02A deviated and was lost in old mine workings at 610m down-hole. A second attempt on the same target was lost at 570m. Over 88m of the Somera Tuff was intersected in the hole which was drilled from the top of the mountain, and the intercept lies at roughly the same elevation as the portals of the principal underground access.

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In the Somera Tuff, cross-cutting relationships indicate that the unit was pervasively altered first, and then the gold-silver mineralization was emplaced after the boiling level rose several hundred metres during the San Rafael Vein stage. This juxtaposition of two disparate styles indicates at least two separate pulses of mineralization related to different boiling levels. If true, the higher grade gold-silver zone related to the Somera Tuff alteration should lie below the lowest levels of the historic mines. This interpretation reinforces Candente Gold's textural and fluid inclusion data from the district and suggests similarity to other gold-silver mines in Mexico such as Fresnillo, Guanajuato, Pachuca, and Pinos Altos, where stacked gold and silver zones occur over 600 to 1200 metres vertically.

The Somera Tuff appears to have been intersected in historic drill holes but was not previously assayed because of focus on the veins proper. Sampling and assaying of the older holes is underway.

Underground Drilling in the San Rafael and other veins

The San Juan tunnel rehabilitation, which has been carried out to provide access for drilling the depth extensions of the San Rafael vein from underground, has been stopped due to technical difficulties. It was determined that the San Rafael vein was over 45m wide in this area which is much wider than indicated on historic maps. This amount of backfill was deemed too difficult to properly support. Other underground routes are being evaluated to gain access for drilling the San Rafael vein below the old workings from the hanging wall side of the vein.

In the mean time both surface drill rigs have been deployed to test both the new gold discovery and the underlying San Rafael vein targets.

Calera Vein

The Calera vein lies in the footwall of the San Rafael vein and was accessed via an old stope from the San Juan tunnel. Underground sampling by Candente Gold obtained gold and silver grades of 11.35 g/t gold and 66.00 g/t silver over 1.00 m. A fan array of five holes (762 m) was drilled from underground (in the San Juan Adit) targeting the down-dip and strike extension of the Calera Vein below old workings. Gold and silver mineralization was found in three of the five holes as indicated in Table 2 below.

Table 2 – Selected Underground Drilling Assays

Drill Hole	From (m)	To (m)	Width (m)	Gold (g/t)	Silver (g/t)
SJUG10-13	62.15	62.85	0.70	18.76	104.30
SJUG10-14	76.95	77.47	0.52	2.27	13.00
SJUG10-16	80.33	80.93	0.60	3.33	24.00

Oriente Zone Drilling

Several geological, geochemical, and geophysical targets with the potential to represent buried and previously unknown vein systems similar to San Rafael were identified in the Oriente Zone, which lies 1,000 to 4,000m east of the historic mining centres. These targets included linear features delineated by NSAMT geophysics coinciding with geochemical anomalies in soils and rocks and zones of alteration.

Drilling failed to intersect any mineralization of economic interest in this area. In total 3,336.80 metres were drilled in 6 holes (ZO10-01 to 06). No additional drilling is planned in this area.

Regional Exploration

Mapping/re-sampling and a total re-evaluation of the Cortaduras area in 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.

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, P.Eng., Vice President of the Company and Joanne C. Freeze, President, P. Geo., 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

Fredito 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 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 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.

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

SELECTED ANNUAL FINANCIAL INFORMATION

		Year ended March 31, 2011		From April 24, 2009 to March 31, 2010
Total revenue		-		-
Net loss for the year	$	(6,297,743)	$	(1,623,543)
Basic and diluted loss per share	$	(0.13)	$	(0.15)

		As at March 31, 2011		As at March 31, 2010
Working capital	$	7,739,127	$	5,876,835
Mineral properties	$	7,962,459	$	6,908,284
Total assets	$	17,257,932	$	14,284,176

RESULTS OF OPERATIONS

Year ended March 31, 2011

During fiscal 2011 the Company recorded a loss of $6,297,743, compared to a loss of $1,623,543 in fiscal 2010. The Company is in the exploration stage, with no significant sources of revenue. Expenses are significantly higher in fiscal 2011 due to the level of the Company's exploration program.

General and Administrative expenses in fiscal 2011 were $2,206,511 (2010: $1,211,265). The most significant expenses in the year were stock-based compensation of $1,431,199 for options vested in the year (2010: $404,244), followed by management fees, salaries and benefits of $279,117 (2010: $150,272) and office, rent and miscellaneous expenses of $160,733 (2010: $76,670). Candente Gold and Candente Copper share certain General and Administrative expenses.

The Company also incurred Exploration expenses of $4,091,232 in fiscal 2011 (2010: $412,278). The most significant expenses were drilling costs of $1,911,906 (2010: $9,582), exploration administration of $716,467 (2010: $45,995), camp, field supplies and travel of $576,779 (2010: $49,297) and geological and geophysical expenses of $572,494 (2010: $285,926). Most of the Exploration expenses in fiscal 2011 and 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 at 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.

(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 ($)	Incurred in QE June 30, 2010 ($)	Incurred in QE Sept. 30, 2010 ($)	Incurred in QE Dec. 31, 2010 ($)	Incurred In QE March 31, 2011 ($)	Cumulative exploration costs to date ($)
EL ORO						
Depreciation	4,655	1,800	2,311	4,226	5,250	18,242
Assays	-	7,601	42,233	33,268	17,817	100,919
Exploration administration	21,340	136,691	145,124	235,859	119,864	658,878
Camp, field supplies & travel	41,055	56,200	240,553	209,858	51,597	599,263
Drilling	9,582	237,464	444,158	578,608	651,676	1,921,488
Equipment maintenance & rental	6,938	960	10,139	14,162	69,771	101,970
Geological & geophysical	277,387	159,346	127,892	102,930	150,549	818,104
	360,957	600,062	1,012,410	1,178,911	1,066,524	4,218,864
LUNAHUANA						
Exploration administration	8,530	1,073	2,800	3,032	3,295	18,730
Camp, field supplies & travel	432	-	96	-	1,691	2,219
Equipment maintenance & rental	499	-	49	-		548
Field support & personnel	2,935	3,480	3,828	3,796	2,877	16,916
Geological & geophysical	842	2,521	4,392	3,058	4,563	15,376
	13,238	7,074	11,165	9,886	12,426	53,789
ORO QUEROPALCA						
Exploration administration	2,618	545	214	-	-	3,377
Field support & personnel	1,175	1,767	303	-	-	3,245
Geological & geophysical	84	537	-	-	-	621
	3,877	2,849	517	-	-	7,243
ALTO DORADO/TORIL						
Exploration administration	3,891	2,121	565	2,342	5,091	14,010
Camp, field supplies & travel	174	353	-	92	1,415	2,034
Equipment maintenance & rental	829	865	-	240	-	1,934
Field support & personnel	746	5,662	802	2,600	3,166	12,976
Geological & geophysical	253	537	-	-	3,277	4,067
	5,893	9,538	1,367	5,274	12,949	35,021
FREDITO						
Assays	-	-	-	38	-	38
Exploration administration	3,687	988	3,848	231	-	8,754
Camp, field supplies & travel	-	216	305	131	-	652
Equipment maintenance & rental	-	360	-	104	-	464
Field support & personnel	1,656	2,628	5,154	16	-	9,454
Geological & geophysical	789	537	-	-	-	1,326
	6,132	4,729	9,307	520	-	20,688
LAS BRUJAS						
Assays	-	-	-	-	103	103
Exploration administration	2,618	565	66	1,030	4,008	8,287
Camp, field supplies & travel	-	-	-	428	1,527	1,955
Field support & personnel	-	1,831	94	753	2,094	4,772
Equipment maintenance & rental	-	-	-	109	-	109
Geological & geophysical	1,175	537	-	-	5,349	7,061
	3,793	2,933	160	2,320	13,081	22,287
PAMEL						
Exploration administration	331	461	(782)	490	-	500
Camp, field supplies & travel	44	-	-	40	-	84
Equipment maintenance & rental	52	-	-	214	-	266
Field support & personnel	52	1,495	(1,109)	359	-	797
	479	1,956	(1,891)	1,103	-	1,647
TRES MARIAS						
Assays	-	-	-	2,779	826	3,605
Exploration administration	2,980	1,083	6,389	10,416	10,704	31,572
Camp, field supplies & travel	146	487	1,836	189	1,574	4,232
Equipment maintenance & rental	-	311	514	147	1,061	2,033
Field support & personnel	1,192	2,714	6,713	9,926	5,967	26,512
Geological & geophysical	1,548	537	1,415	1,634	-	5,134
	5,866	5,132	16,867	25,091	20,132	73,088

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

	Incurred to March 31, 2010 ($)	Incurred in QE June 30, 2010 ($)	Incurred in QE Sept. 30, 2010 ($)	Incurred in QE Dec. 31, 2010 ($)	Incurred in QE March 31, 2011 ($)	Cumulative costs to date ($)
OTHER PROJECTS						
Assays	558	-	-	-	1,312	1,870
Exploration administration		868	8,216	521	8,749	18,354
Equipment maintenance & rental		2,828	394	-	877	4,099
Camp, field supplies & travel	7,446	2,135	975	3,786	1,295	15,637
Field support & personnel	191	5,176	10,288	4,219	4,318	24,192
Geological and geophysical	3,848	-	208	-	2,675	6,731
	12,043	11,007	20,081	8,526	19,226	70,883
TOTAL	**412,278**	**645,280**	**1,069,983**	**1,231,631**	**1,144,338**	**4,503,510**

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	QE March 31, 2011 $	QE Dec. 31, 2010 $	QE Sept. 30, 2010 $	QE June 30, 2010 $
Total revenue	-	-	-	-
Loss	(1,353,086)	(1,810,361)	(1,655,468)	(1,478,828)
Basic and diluted loss per share	(0.03)	(0.04)	(0.03)	(0.03)
	QE March 31, 2010 $	**QE Dec. 31, 2009 $**	**QE Sept. 30, 2009 $**	**QE June 30, 2009 $**
Total revenue	-	-	-	-
Loss	(752,490)	(170,070)	(373,859)	(327,124)
Basic and diluted loss per share	(0.06)	(0.01)	(0.04)	(0.03)

* 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 March 31, 2011, the Company had cash and cash equivalents of $8,643,417 and working capital of $7,739,127, 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 March 31, 2011, the Company completed a bought-deal short form prospectus financing (the "Financing") for gross proceeds of $6,659,154 (Cdn$6,500,000). In connection with the Financing, the Company issued 8,125,000 units (the "Units") at a price of Cdn$0.80 per Unit. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder thereof to acquire one common share of the Company at a price of Cdn$1.10 to March 30, 2012. The Offering was led by a group of Underwriters, who also exercised a portion of the over-allotment option to acquire an additional 716,250 Units and 51,250 Warrants for additional gross proceeds of $590,180 (Cdn$576,075). In connection with their services, the Underwriters received a cash commission equal to 6.75% of the gross proceeds raised in the Offering and warrants entitling the Underwriters to purchase such number of common shares of the Company in an amount equal to 6% of the number of Units issued at a price of Cdn$0.86 per common share for a period of 2 years, to March 30, 2012. The Agents' Warrants issued as finders' fees were valued by the Company at $198,548.

In fiscal 2010, 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.

As of March 31, 2011, the Company had accounts payable and accrued liabilities of $453,515, of which $93,681 is an account payable to Candente Copper in connection with cost-sharing of certain general and administrative expenses for the quarterly period ended March 31, 2011.

The Company also has an outstanding a promissory note of $977,165 (Cdn$950,000) to Canaco which is payable on demand. A payment of $333,524 (Cdn$350,000) on the promissory note was made by the Company on June 30, 2010; the balance of Cdn$950,000 was paid on June 28, 2011 (see *Subsequent Events)*.

Operating Activities

Cash used in operations in fiscal 2011, including the changes in non-cash working capital items, was $4,716,858 (2010: $1,099,445).

Financing Activities

In fiscal 2011, the Company received net proceeds of $6,468,877 from a financing described under *Liquidity and Capital Resources*. The Company also received $721,120 from the exercise of 1,199,220 share purchase warrants and $176,260 from the exercise of 245,750 stock options.

In fiscal 2010 the Company received net proceeds of $8,032,555 from a private placement and $3,911 from the exercise of 8,000 stock options.

Investing Activities

In 2011, investing activities consisted of acquisition costs of $484,249 relating to the payment of mining rights in Mexico and Peru to maintain the good standing of the properties, the purchase of $108,871 in equipment and an increase of $24,337 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.

During fiscal 2010, the Company received cash of $22,247 in connection with the transfer of El Oro, purchased $9,707 in equipment and increased VAT credits in Peru by $4,562.

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

SUMMARY OF CONTRACTUAL OBLIGATIONS

The Company has commitments relating to the lease of premises in Canada and in Mexico. The future minimum lease payments by calendar year are approximately as follows:

	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Lease of premises	$ 389,582	$ 110,041	80,831	80,831	117,879

TRANSACTIONS WITH RELATED PARTIES

During the year ended March 31, 2011, a total of $284,431 (2010: $$201,085) 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 year ended March 31, 2011, a total of $168,788 (2010: $ $94,619) was paid as salaries to various officers of the Company and $47,218 (2010: $47,535) 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 March 31, 2011 is $11,366 (2010: $10,842) owed to the Company by certain officers for expense advances. Included in accounts payable and accrued liabilities at March 31, 2011 is $29,875 (2010: $41,869) owed by the Company to certain officers and directors of the Company for services rendered, reimbursement of expenses and directors' fees.

At March 31, 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 (Note 5). During the period ended March 31, 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 March 31, 2011, a total of $93,681 (2010: $66,722) was due from the Company to Candente Copper for reimbursement of shared general and administrative expenses and $17,894 was due by Candente Copper to the Company (2010: $nil) 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.

FOURTH QUARTER

In the quarter ended March 31, 2011 ("Q4-2011") the Company recorded a loss of $1,144,338, or $0.03 per share, including $208,748 in general and administrative expenses and $1,144,338 in exploration costs. The main expense during the quarter was drilling ($651,676), followed by geological and geophysical costs ($166,413) and exploration administration costs ($151,711).

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

A summary of expenses incurred on a quarterly basis in fiscal 2011 is presented below:

	Q1-2011 $	Q2-2011 $	Q3-2011 $	Q4-2011 $	FISCAL 2011
GENERAL AND ADMINISTRATIVE					
Depreciation	530	530	531	9,083	10,674
Audit and tax advisory	4,182	612	5,426	45,634	55,854
Bank charges & interest	1,950	1,657	2,979	1,853	8,439
Consulting fees	-	-	-	-	-
Corporate development	74,888	11,539	16,912	13,272	116,611
Legal fees	9,523	11,596	13,383	4,721	39,223
Management and office salaries and benefits	82,933	58,134	64,509	73,541	279,117
Office, rent and miscellaneous	36,158	36,688	45,497	42,390	160,733
Travel	22,777	727	11,302	7,381	42,187
Regulatory and filing fees	20,524	44,641	16,230	23,894	105,289
Shareholder communications	7,826	13,118	12,386	10,921	44,251
Stock-based compensation	429,339	482,129	468,584	51,147	1,431,199
Interest and other income	(9,760)	(15,745)	(12,382)	(6,016)	(43,903)
Loss (gain) on foreign exchange	152,678	(60,141)	(66,627)	(69,073)	(43,163)
	833,548	585,485	578,730	208,748	2,206,511
EXPLORATION					
Depreciation	1,800	2,311	4,226	5,250	13,587
Assays	7,601	42,233	36,085	20,058	105,977
Administration	144,395	166,440	253,921	151,711	716,467
Camp, field supplies and travel	59,391	243,765	214,524	59,099	576,779
Drilling	237,464	444,158	578,608	651,676	1,911,906
Equipment maintenance & rental	5,324	11,096	14,976	71,709	103,105
Field support and personnel	24,753	26,073	21,669	18,422	90,917
Geological and geophysical	164,552	133,907	107,622	166,413	572,494
	645,280	1,069,983	1,231,631	1,144,338	4,091,232
Loss	1,478,828	1,655,468	1,810,361	1,353,086	6,297,743

SUBSEQUENT EVENTS

a) Subsequent to March 31, 2011, the underwriters who participated in the March 30, 2011 financing exercised their over-allotment option, raising additional gross proceeds for the Company of Cdn$320,000 (the "Over-Allotment"). The Company issued 400,000 units (the "Units") at a price of Cdn$0.80 per Unit, with each Unit consisting of one common share of the Company and one-half of one common share purchase warrant entitling the holder thereof to acquire one common share of the Company at a price of Cdn$1.10 until March 30, 2013.

b) The Canaco promissory note was repaid in full.

CRITICAL ACCOUNTING ESTIMATES

There were no changes to the nature or the Company's critical accounting estimates in fiscal 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, future income taxes 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 hardware and software; 10 years for office furniture; 4 years for vehicles and field equipment and on a straight-line basis over the term of the lease contracts for leasehold improvements. 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 will significantly impact the Company's consolidated financial statements.

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 essentially completed its IFRS conversion project in order 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. The Company's Peruvian and Mexican accountants are also familiar with IFRS.

The adoption of IFRS will not have a major effect on its overall operations except for the fact that on an ongoing basis, disclosure requirements will increase substantially. The Company will be able to continue using its current information technology platforms in Canada and Peru.

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

The functional currency of the parent company will be the Canadian dollar; functional currencies of subsidiaries in Mexico and Peru will be the U.S. dollar 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, for presentation purposes, 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). The Company has elected to translate equity accounts at historical rates (under Canadian GAAP, historical rates are used), and not at current rates. The Company's choice of using historical rates translation of its equity accounts will not impact total equity as the resulting exchange differences will be recognized in a separate component of equity.

Impairment requirements are more stringent under IFRS 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 in most cases vest within the year granted. There will be differences for certain options whose vesting extends beyond the fiscal year in which they were granted, but these will not be material. 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, as is the case with most of the options granted by the Company. 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. The Company has identified a software solution to compute and measure stock-based compensation under IFRS and to compute the transition cost of stock-based compensation expense in the comparative year 2011 from Canadian GAAP to IFRS.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management as is appropriate to permit timely decisions regarding public disclosure.

The Company engaged legal counsel to formalize its disclosure controls and procedures. Based on those recommendations, a corporate disclosure policy was presented to the Company's board and formally adopted on March 25, 2009. The disclosure policy includes the setting up of a Disclosure Policy Committee that consists of the Company's CEO, President and Corporate Secretary.

The disclosure policy and committee have been in place since the adoption date. Management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, is being made known to senior management in a timely manner, and that the Company's disclosure controls and procedures are effective not only with respect to the Company's annual filing requirements but on an ongoing basis.

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 March 31, 2011.

Management has concluded that, as of March 31, 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 March 31, 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.

RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks due to the nature and the present stage of its business and the effect of worldwide economic conditions. Exploration of mineral properties involves a high degree of financial risk. While discovery of an ore body may result in substantial rewards, few exploration properties are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling, constructing mining and process facilities, developing metallurgical processes and extracting base and precious-metals from ore. It is impossible to ensure that the current exploration programs of the Company will result in profitable commercial mining operations.

Risk factors that should be taken into account in assessing the Company's activities and any investment in the Company include, but are not limited to, those listed below. Any one or more of these risk factors could have a material impact on the financial condition of the Company. This information, by its nature, is not all-inclusive and risk factors that have not been listed could have a material impact on the future financial condition of the Company.

Economic conditions may prevent the Company from obtaining the capital required to continue operations

The Company's ability to continue operations is contingent on its ability to obtain additional financing. Equity market conditions, funding environments and the price of the Company's common shares may make it dilutive and difficult to raise funds by the sale of the Company's shares. An investment in the shares of a junior resource company is considered to be a high-risk investment. While the Company currently has the necessary cash resources to fund operations and exploration work at its properties for a period of at least one year, there is no assurance that financing will be available to the Company in future periods.

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Limited Operating History

The Company has limited operating history. The Company is exploring its mineral properties for precious metals. The Company currently does not generate any revenues from production. Its success will depend largely upon its ability to locate commercially productive mineral reserves. As a result of these factors, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer history of operations.

History of Losses

The Company incurred net losses of $6,297,743 in fiscal 2011 and is expected to continue to generate losses while it continues to be a development-stage company. The Company anticipates significant expenditures for its mineral exploration programs. Since most exploration projects do not result in the discovery of commercially productive mineral reserves and are ultimately expensed in full, the Company expects to report net losses at least into the foreseeable future.

The long-term profitability of the Company's operations will be in part directly related to the success of its exploration programs, which are affected by numerous factors including the cost of such programs, the amount of mineral reserves discovered and fluctuations in the price of any minerals produced.

No History of Dividends

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate any revenues from production and does not have sufficient financial resources to undertake by itself all of its planned exploration programs. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders. The amount of additional funds required will depend largely on the success of the Company's exploration programs.

Further exploration programs will depend on the Company's ability to obtain additional financing which may not be available under favorable terms, if at all. If adequate financing is not available, the Company may not be able to commence or continue with its exploration programs or to meet minimum expenditure requirements to prevent the full or partial loss of its mineral properties. Also, failure to meet the Company's share of costs incurred under joint venture arrangements to which it is a party may result in a reduction of its interests in mineral properties. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete the recommended programs.

No Known Mineral Reserves

All of the Company's mineral properties are in the exploration stage and are without known mineral reserves. Although the Company may discover mineral reserves through its exploration programs, commercial production may not be warranted due to insufficient quantities. Development of any of the Company's properties will only follow upon obtaining satisfactory exploration results. However, few mineral properties that are explored are ultimately developed into producing mines.

In the event a commercially productive mineral reserve is discovered, substantial expenditures are required to develop mineral reserves for production through drilling, development of metallurgical processes for extraction and to develop the mining and processing facilities and infrastructure at the production site. The marketability of any minerals discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Title to Mineral Properties

The Company believes it has diligently investigated title to all of its mineral properties and, to the best of its knowledge, title to all properties are in good standing. However, the properties may be subject to prior unregistered agreements or transfers, which may affect the validity of the Company's ownership of such properties.

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, title to such properties may be challenged or impugned in the future. The boundaries of the Company's mineral properties have not been surveyed and, therefore, the precise location and area of these mining properties may be in doubt. The Company makes a search of mining records in accordance with mining industry practices to confirm that it has acquired satisfactory title to its properties but does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims. Should any defect in title be discovered by or disclosed to the Company, all reasonable steps would be taken to perfect title to the particular claims in question. The Company is not aware of any material defect in the title to its mineral properties.

A claim on any of the Company's mineral properties, especially if commercially productive mineral reserves have been located, could adversely affect the Company's long-term profitability as it may preclude entirely the economic development of a mineral property. Also, such a claim would affect the Company's current operations due to the high costs of defending against such claims and its impact on senior management's time.

Key Personnel

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the operations of the Company. The Company's success is dependent to a great degree on its ability to attract and retain qualified management personnel. The loss of such key personnel, through incapacity or otherwise, would require the Company to seek and retain other qualified personnel and could compromise the pace and success of its exploration activities. The Company does not maintain key person insurance in the event of a loss of any such key personnel. Also, certain management personnel of the Company are officers and/or directors of other publicly-traded companies and will only devote part of their time to the Company.

Additionally, the Company has relied on and is expected to continue relying upon consultants and others for exploration expertise. In the event a commercial ore deposit is discovered on any of the Company's properties, the Company will likely require the expertise of such consultants and others for the development and operation of a producing mine.

Competition

The resource industry is intensively competitive in all of its phases, and the Company competes with many companies possessing much greater financial and technical research resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped base-metal and precious-metal properties. The principal competitive factors in the acquisition of such undeveloped properties include the staff and data necessary to identify, investigate and purchase such properties, and the financial resources necessary to acquire and develop such properties. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration in the future.

Industry Operating Hazards and Risks

Mineral exploration involves many risks, including location of commercially productive mineral reserves, which may not occur even with a combination of experience, knowledge and careful evaluation. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to resource companies, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the industry operating risks involved in the operation of mines and the conduct of exploration programs. Other risks include injury or loss of life, severe damage to or destruction of property, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. The occurrence of any of these operating risks and hazards may have an adverse effect on the Company's financial condition and operations.

Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that may have a material adverse effect upon its financial condition and operations.

Government Regulations and Political Climate

Mineral exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) tax laws (iv) restrictions on production, price controls, and tax increases; (v) maintenance of claims; (vi) tenure; and (vii) expropriation of property through nationalization, requisition or confiscation. Any mineral exploration activities conducted by the Company, including commencement of production, require permits from governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, mining, production, exports, taxes, labour standards, occupation health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. All permits required for the conduct of mining operations, including the construction of mining facilities, may not be obtainable by the Company on reasonable terms which would have an adverse effect on any mining project the Company might undertake. Additionally, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

To the best of the Company's knowledge, the Company is and will be operating in compliance with all applicable regulations. However, amendments to current governmental laws and regulations affecting mining companies, or the more stringent application thereof, or shifts in political conditions or attitudes could adversely affect the Company's operations including the potential to curtail or cease exploration programs or to preclude entirely the economic viability of a mineral property. The extent of any future changes to governmental laws and regulations cannot be predicted or quantified, but it should be assumed that such laws and regulations will become more stringent in the future. Generally, new laws and regulations will result in increased compliance costs, including costs for obtaining permits, delays or fines resulting from loss of permits or failure to comply with the new requirements.

Environmental Liability

Although the Company is not aware of any claims for damages related to any impact that its operations have had on the environment, it may become subject to such claims in the future. An environmental claim could adversely affect the Company's business due to the high costs of defending against such claims and its impact on senior management's time.

The Company conducts exploration activities in Mexico and Peru. Such activities are subject to various laws, rules and regulations governing the protection of the environment. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees.

Although the Company is committed to ensure compliance with all environmental regulations currently applicable, environmental hazards may exist on the Company's mineral properties, which hazards are not known to the Company at present, that have been caused by previous or existing owners or operators.

Also, environmental regulations may change in the future which could adversely affect the Company's operations including the potential to curtail or cease exploration programs or to preclude entirely the economic development of a mineral property. The extent of any future changes to environmental regulations cannot be predicted or quantified, but it should be assumed that such regulations will become more stringent in the future. Generally, new regulations will result in increased compliance costs, including costs for obtaining permits, delays or fines resulting from loss of permits or failure to comply with the new regulations.

Fluctuations in Metal Prices

Although the Company does not hold any known mineral reserves, its future revenues, if any, are expected to be in large part derived from the future mining and sale of precious metals or interests related thereto. The prices of these commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations, cannot be accurately predicted.

Depending on the price obtained for any minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

OTHER MD&A REQUIREMENTS

As of June 28, 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