

CANDENTE COPPER CORP.
(Formerly Candente Resource Corp.)

Audited Consolidated Financial Statements
Years Ended December 31, 2008 and 2009

(Expressed in U.S. Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Candente Copper Corp. (formerly Candente Resource Corp.) and its subsidiaries, the Management Discussion and Analysis and the information contained in the company's annual filing are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgement.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the annual filing are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Candente Copper Corp. and its subsidiaries have developed and continue to maintain systems of internal accounting controls, and segregation of duties and responsibilities whenever possible.

Although no cost effective system of internal control will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual filing principally through its Audit Committee, consisting of non-executive directors. The Audit Committee meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the consolidated financial statements and financial reporting matters.

The consolidated financial statements have been audited by D&H Group LLP, Chartered Accountants, who have full access to the Audit Committee, with and without the presence of management.

"Joanne C. Freeze"
Joanne C. Freeze
Chief Executive Officer

March 30, 2010

"Aurora Davidson"
Aurora Davidson
Chief Financial Officer

March 30, 2010

AUDITORS' REPORT

To the Shareholders of
Candente Copper Corp. (formerly Candente Resource Corp.)

We have audited the consolidated balance sheets of Candente Copper Corp. (formerly Candente Resource Corp.) as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, deficit and accumulated other comprehensive loss, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
March 26, 2010



Chartered Accountants

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Consolidated Balance Sheets
(Expressed in U.S. Dollars)

	December 31,	
	2009	2008
ASSETS		
Current		
Cash and cash equivalents	\$ 992,400	\$ 3,448,322
Investments (Note 4)	360,451	281,279
Amounts receivable (Note 9)	303,170	75,437
Prepaid expenses and deposits	66,098	31,484
	1,722,119	3,836,522
Shares receivable (Note 7)	4,422,011	-
Investment in Candente Gold (Note 7)	1,239,158	-
Equipment (Note 5)	351,550	500,697
Mineral properties (see Consolidated Schedule of Mineral Properties and Note 8)	36,103,660	40,918,819
	\$ 43,838,498	\$ 45,256,038
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 1,253,054	\$ 2,279,889
	1,253,054	2,279,889
SHAREHOLDERS' EQUITY		
Share capital (Notes 10, 11 & 12)	52,103,487	52,051,699
Contributed surplus (Note 13)	8,194,464	7,103,443
Deficit	(17,692,861)	(16,146,621)
Accumulated other comprehensive loss	(19,646)	(32,372)
	42,585,444	42,976,149
	\$ 43,838,498	\$ 45,256,038

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 18)
Subsequent events (Note 20)

On Behalf of the Board of Directors:

"Klaus M. Zeitler"

Director

"Michael Casselman"

Director

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)Consolidated Statements of Operations and Comprehensive Loss
(Expressed in U.S. Dollars)

	Years Ended December 31,	
	2009	2008
GENERAL AND ADMINISTRATIVE		
Amortization	\$ 30,287	\$ 27,426
Audit and accounting	137,183	68,679
Bank charges and interest	8,294	12,561
Consulting	16,340	80,929
Corporate development	34,046	346,330
Directors' fees	-	59,061
Legal	52,252	147,394
Management and office salaries and benefits	236,250	839,777
Office, rent and miscellaneous	130,440	357,785
Travel and accommodations	20,772	155,248
Regulatory and filing fees	69,120	83,090
Shareholder communications	30,442	40,353
Stock-based compensation (Note 13)	1,091,021	1,889,692
Interest and other income	(76,545)	(199,807)
Loss (gain) on foreign exchange	(669,574)	1,123,133
Write-down of mineral properties	238,051	-
Loss for the year	(1,348,379)	(5,031,651)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale marketable securities	12,726	(54,139)
Comprehensive loss for the year	(1,335,653)	(5,085,790)
Loss per share:		
Basic and diluted	\$ (0.02)	\$ (0.07)
Weighted average number of shares outstanding:		
Basic and diluted	80,953,743	76,939,326

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)Consolidated Statements of Deficit and Accumulated Other Comprehensive Loss
(Expressed in U.S. Dollars)

	Years Ended December 31,	
	2009	2008
Deficit, beginning of year	\$ (16,146,621)	\$ (11,114,970)
Loss for the year	(1,348,379)	(5,031,651)
Increase in deficit in connection with property transfers to Candente Gold (Note 7)	(146,073)	-
Increase in deficit in connection with share issuances to fulfill obligations on El Oro property (Note 10)	(51,788)	-
Deficit, end of year	\$ (17,692,861)	\$ (16,146,621)
Accumulated other comprehensive income, beginning of year	\$ (32,372)	\$ 21,767
Unrealized gain (loss) on available-for-sale marketable securities	12,726	(54,139)
Accumulated other comprehensive loss, end of year	\$ (19,646)	\$ (32,372)

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars)

	Years Ended December 31,	
	2009	2008
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(1,348,379)	(5,031,651)
Items not affecting cash:		
Amortization	30,287	27,426
Foreign exchange loss (gain)	(563,980)	1,508,869
Stock-based compensation	1,091,021	1,889,692
Write-down of mineral properties	238,051	-
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	(1,768)	1,126,631
Decrease (increase) in prepaid expenses and deposits	(34,614)	48,559
Decrease in accounts payable and accrued liabilities	(83,715)	(263,494)
Net cash used in operating activities	(673,097)	(693,968)
INVESTING ACTIVITIES		
Decrease (increase) in investments	(61,458)	61,878
Purchase of equipment	(540)	(254,474)
Sale of equipment	66,077	-
Value added tax paid	(236,156)	(1,275,451)
Expenditures on mineral properties:		
Acquisition	(373,324)	(492,571)
Exploration	(1,468,856)	(12,969,141)
Net cash used in investing activities	(2,074,257)	(14,929,759)
FINANCING ACTIVITIES		
Issuance of common shares for:		
Private placements, gross proceeds	-	11,755,996
Share issue costs relating to private placements	-	(697,251)
Exercise of stock options	-	674,816
Net cash provided by financing activities	-	11,733,561
Foreign exchange (loss) gain on cash held in foreign currency	291,432	(1,500,941)
Net decrease in cash and cash equivalents	(2,455,922)	(5,391,107)
Cash and cash equivalents, beginning of year	3,448,322	8,839,429
Cash and cash equivalents, end of year	992,400	3,448,322

Supplementary Cash Flow Information (Note 19)

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Consolidated Schedule of Mineral Properties (Note 8)

(Expressed in U.S. Dollars)

	Balance at December 31, 2007	Additions	Balance at December 31, 2008	Additions/ (Transfers)/ (Write-Downs)	Balance at December 31, 2009
PERU					
Cañariaco Property					
Acquisition costs	\$ 258,495	\$ 49,680	\$ 308,175	\$ 38,488	\$ 346,663
Exploration costs					
Assays	771,311	985,097	1,756,408	33,960	1,790,368
Camp, field supplies & travel	3,712,414	3,436,539	7,148,953	36,778	7,185,731
Drilling	6,102,981	2,929,913	9,032,894	-	9,032,894
Equipment maintenance & rental	547,415	322,574	869,989	9,996	879,985
Engineering studies	264,477	2,999,980	3,264,457	16,778	3,281,235
Field support & personnel	3,444,715	1,853,972	5,298,687	196,961	5,495,648
Geological and geophysical	1,872,034	612,795	2,484,829	105,848	2,590,677
Mapping	179,661	83,925	263,586	39	263,625
	17,153,503	13,274,475	30,427,978	438,848	30,866,826
Other Peruvian Properties					
Acquisition costs	1,638,992	400,982	2,039,974	299,392	2,339,366
Exploration costs					
Assays	234,905	-	234,905	666	235,571
Camp, field supplies & travel	586,501	66,809	653,310	-	653,310
Drilling	700,417	-	700,417	-	700,417
Equipment maintenance & rental	301,360	3,013	304,373	-	304,373
Field support & personnel	1,823,325	201,173	2,024,498	67,724	2,092,222
Geological and geophysical	1,723,362	57,333	1,780,695	90,783	1,871,478
Mapping	138,466	688	139,154	-	139,154
Property option payments received	(1,980,153)	-	(1,980,153)	-	(1,980,153)
Write-down of mineral properties	(25,000)	-	(25,000)	(238,051)	(263,051)
Transfer of properties (Note 7)	-	-	-	(4,663,250)	(4,663,250)
	5,142,175	729,998	5,872,173	(4,442,736)	1,429,437
Value Added Tax Credits (Note 6)					
	2,295,790	1,275,451	3,571,241	236,156	3,807,397
Total for Peru	24,591,468	15,279,924	39,871,392	(3,767,732)	36,103,660
MEXICO					
El Oro Properties					
Acquisition costs	121,309	170,864	292,173	35,444	327,617
Exploration costs					
Assays	33,779	488	34,267	-	34,267
Drilling	323,198	8,437	331,635	-	331,635
Equipment maintenance & rental	18,461	16,723	35,184	826	36,010
Field supplies & travel	22,790	1,065	23,855	287	24,142
Field support & personnel	49,182	52,276	101,458	10,488	111,946
Geological and geophysical	198,222	21,944	220,166	12,266	232,432
Mapping	2,553	6,136	8,689	-	8,689
Transfer of property (Note 7)	-	-	-	(1,106,738)	(1,106,738)
Total for Mexico	769,494	277,933	1,047,427	(1,047,427)	-
Total of Mineral Properties	\$ 25,360,962	\$ 15,557,857	\$ 40,918,819	(\$ 4,815,159)	\$ 36,103,660

See accompanying notes to the consolidated financial statements

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2009 and 2008
Expressed in U.S. Dollars, Unless Otherwise Noted

1. Nature of Operations and Continued Operations

Candente Copper Corp. ("Candente Copper") was incorporated under the Business Corporations Act (British Columbia). Candente Copper and its subsidiary companies (collectively, the "Company") are engaged in base-metals exploration in Peru. Candente Copper's common shares are listed on the Toronto and Lima Stock Exchanges under the trading symbol "DNT".

The Company has not yet determined whether its mineral properties contain reserves that are economically recoverable.

The accompanying consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. Subsequent to December 31, 2009 (Note 20), the Company completed a financing for gross proceeds of Cdn\$6,227,969, including proceeds of Cdn\$1,699,665 held in escrow pending shareholder approval of the Special Warrants they pertain to. The financing will enable the Company to meet working capital requirements and resume exploration work for a period of at least 12 months.

At December 31, 2009, the Company had no source of operating cash flow and accumulated losses of \$17,692,861 (2008 - \$16,146,621). At December 31, 2009, the Company had working capital of \$469,065 (December 31, 2008: \$1,556,633). The Company did not raise capital in 2009 and operations in the year were funded from cash on hand.

During 2009 management made the strategic decision to complete a plan of arrangement that included the transfer of the Company's interests in its precious metals properties to a newly incorporated company, Candente Gold Corp. ("Candente Gold") in exchange for consideration that included shares in Candente Gold. The properties transferred to Candente Gold where those where the precious metal component was considered dominant or essential to making the project economic based on then current metal prices and the Company's geological knowledge of the properties at the time of the transfer. On April 30, 2009 and on December 17, 2009 respectively, the Company completed the transfer of its interests in the El Oro property and its Peruvian silver-gold properties to Candente Gold (Note 7). The arrangement included a distribution of a portion of the Company's shares in Candente Gold to the Company's shareholders (completed in January 2010), and allows the Company to dedicate its resources to copper exploration and development, specifically the Cañariaco property. The arrangement also allowed the Company's shareholders to retain their Company shares and receive additional shares in Candente Gold.

Despite the benefits derived from the plan of arrangement, significantly reduced levels of expenditures in 2009, and the financing completed in March 2010, the Company's ability to continue as a going concern remains contingent upon its ability to obtain additional financing in the future.

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

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon a number of factors, including the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of the properties, and on the potential profitable disposition in future of the Company's interests in such properties.

2. Summary of Significant Accounting Policies

These consolidated financial statements are prepared in U.S. dollars, unless otherwise noted, in accordance with generally accepted accounting principles in Canada ("Canadian GAAP").

(a) Principles of Consolidation

These consolidated financial statements include the accounts of Candente Copper's wholly-owned subsidiaries, Candente Vinland Inc., Candente Resource (BVI) Corp., Canariaco Copper (BVI) Corp., Exploraciones Milenio S.A. and Compañía Minera Oro Candente S.A. All significant intercompany transactions and balances have been eliminated on consolidation.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2009 and 2008
Expressed in U.S. Dollars, Unless Otherwise Noted

2. Summary of Significant Accounting Policies (continued)

(b) Use of Estimates

The presentation of consolidated financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and related notes. Management regularly reviews the estimates and assumptions that affect the consolidated financial statements, although actual results may be materially different from these estimates and assumptions. Areas where significant estimates and assumptions are required by management include the determination of impairment for capitalized mineral property expenditures, asset retirement obligations, future income taxes and the variables for use in calculating stock-based compensation.

(c) Impairment of Long-Lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value and is charged to the results of operations.

(d) Asset Retirement Obligations

Asset retirement obligations refer to the recognition of any statutory, contractual or other legal obligation, related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be determined. These obligations are measured initially at fair value and the resulting costs are capitalized as part of the carrying value of the related assets. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. These costs would be amortized to the results of operations over the life of the asset.

(e) Foreign Currency Translation

The Company's primary currency of measurement and reporting is the U.S. dollar, its functional currency. Monetary assets and liabilities denominated in currencies other than the U.S. dollar ("Foreign Currencies") are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities denominated in Foreign Currencies are translated at the exchange rate in effect at the transaction date. Revenues and expenses denominated in Foreign Currencies are translated at the average rate in effect during the period, with the exception of depreciation and amortization which are translated at historical rates. Gains and losses arising from the translation of monetary assets and liabilities in Foreign Currencies are included in the results of operations.

(f) Future Income Taxes

Future income taxes are accounted for using the asset and liability method. Under this method, future income tax assets and liabilities are recognized based on differences between the financial statement carrying values of the existing assets and liabilities and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income during the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in the results of operations during the period in which the change is substantively enacted. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid, short-term money market instruments which, on acquisition, are redeemable within three months of the balance sheet date, and include accrued interest.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2009 and 2008
Expressed in U.S. Dollars, Unless Otherwise Noted

2. Summary of Significant Accounting Policies (continued)

(h) Marketable Securities

Marketable securities consist of common shares of a publicly-traded company and are classified as available-for-sale securities. These securities are initially recorded at cost and adjusted to fair value at the end of each reporting period with any such changes included in comprehensive income until the gain or loss is recognized in the results of operations (Note 4).

(i) Financial Instruments

Cash, cash equivalents and gold bullion are measured at fair value at the end of each period with any resulting gains or losses recognized in operations. Accounts receivable and shares receivable are recorded at amortized cost using the effective interest rate method, which upon their initial measurement is equal to their fair value. Subsequent measurement of receivables is at amortized cost, which usually corresponds to the amount initially recorded less any recoverability allowance. Gains or losses arising from changes in fair value of marketable securities are recorded as Other Comprehensive Income and included in Accumulated Other Comprehensive Income in the Company's Balance Sheet until the investments are sold or management determines that other than temporary impairments in the value of the investments have occurred, at which time the accumulated gains or losses are transferred to earnings. Accounts payable and accrued liabilities are measured at amortized cost using the effective interest rate method.

(j) Equipment

Equipment is recorded at cost and amortized on a declining-balance basis, with only half of the amortization recognized in the year of acquisition, at the following rates: 20% for security equipment; 20% for camp and field equipment; 20% for office furniture and equipment; 30% for computer equipment; and 30% for vehicles.

(k) Mineral Properties

Acquisition and exploration expenditures incurred for mineral properties, less recoveries in the pre-production stage such as property option payments received, are capitalized until these properties are put into commercial production, sold or abandoned or become impaired. General exploration expenditures are charged to the results of operations in the period incurred. Upon commencement of production, capitalized mineral property expenditures will be charged to the results of operations over the estimated life of the mine under the unit-of-production method. Capitalized mineral property expenditures relating to properties that are impaired are written down to their fair value in the period the impairment occurs.

Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values. The Company follows procedures to verify title for each of its mineral properties in accordance with industry standards and, to the best of its knowledge these mineral properties are in good standing. These procedures, however, will not necessarily prevent future challenges by third parties as to the validity of the Company's interests in its mineral properties.

(l) Stock-Based Compensation

The Company adheres to CICA Handbook Section 3870: "Stock-Based Compensation and Other Stock-Based Payments" ("Section 3870") which 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.

(m) Transaction Costs

The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as "held for trading" are expensed as incurred; transaction costs for financial instruments classified as "available for sale" are netted against gross proceeds from related transactions.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2009 and 2008
Expressed in U.S. Dollars, Unless Otherwise Noted

2. Summary of Significant Accounting Policies (continued)

(n) Loss per Share

Basic loss per share is computed by dividing loss for the year by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding warrants is reflected in diluted earnings per share by application of the treasury stock method. Basic and diluted loss per share are the same as the effect of potential issuances of shares under warrants would be anti-dilutive.

3. Adoption of New Accounting Standards and Accounting Pronouncements

Accounting Changes

Effective January 1, 2009 the Company adopted the following new accounting standards:

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064 "Goodwill and intangible assets" which is required to be adopted for fiscal year-ends beginning on or after October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of Goodwill subsequent to its initial recognition and of intangible assets by profit orientated enterprises. The adoption of this new Section did not have any material impact on the Company's financial statements.

Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued Emerging Issues Committee Abstracts ("EIC") 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this EIC did not have a significant effect on the financial statements (Note 14).

Financial Instruments - Disclosures

The CICA amended Section 3862, "Financial Instruments – Disclosures," in 2009 to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosures. Adoption of this standard did not have a significant effect on the financial statements (Note 14).

Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, The Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the change of the date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transitional date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has an IFRS implementation plan in progress.

Business combination, Consolidated Financial Statements and Non-controlling interest

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

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2009 and 2008
Expressed in U.S. Dollars, Unless Otherwise Noted

4. Investments

Investments consist of marketable securities and gold bullion.

At December 31, 2009, marketable securities consist of 210,000 (2008: 210,000) common shares of Ores Minerals Inc. acquired by the Company through property option agreements at a total cost of \$47,715 (2008: \$47,715) with a market value of \$34,029 (2008: \$16,315).

At December 31, 2009 the Company held gold bullion worth \$326,422 (2008: \$264,964).

5. Equipment

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Security equipment	32,620	19,787	12,833
Camp and field equipment	170,391	52,599	117,792
Office furniture & equipment	133,242	57,745	75,497
Computer equipment	191,565	127,336	64,229
Vehicles	187,496	106,297	81,199
	\$ 715,314	\$ 363,764	\$ 351,550

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Security equipment	32,063	17,260	14,803
Camp and field equipment	168,332	39,660	128,672
Office furniture & equipment	131,220	40,343	90,877
Computer equipment	191,222	91,358	99,864
Vehicles	272,128	105,647	166,481
	\$ 794,965	\$ 294,268	\$ 500,697

6. Valued Added Tax Credits

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

The VAT is not currently refundable to the Company, but can be used in the future to offset amounts due to the Peruvian taxation authorities by the Company resulting from VAT charged to clients on future sales. The VAT in Peru has been classified as a component of mineral properties. As at December 31, 2009 VAT tax credits in Peru were \$3,807,397 (December 31, 2008: \$3,571,241).

7. Transfer of Silver and Gold Properties to Candente Gold

During 2009 management made the strategic decision to complete a plan of arrangement (the "Arrangement") that included the transfer of the Company's interests in its precious metals properties to a newly incorporated company, Candente Gold Corp. ("Candente Gold"), which was incorporated by the Company and and Canaco Resources Inc. ("Canaco") on April 24, 2009 created. Candente Gold will focus on exploration and development of precious metals projects in Latin America.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Notes to the Consolidated Financial Statements
Years Ended December 31, 2009 and 2008
Expressed in U.S. Dollars, Unless Otherwise Noted

7. Transfer of Silver and Gold Properties to Candente Gold (continued)

On April 30, 2009, the Company and Canaco completed the transfer to Candente Gold of their respective 50% interests in Minera CCM, S.A. de C.V., the Mexican company that holds an option on the El Oro gold property in Mexico (the "Option"). As consideration for the transfer of the El Oro interests, Candente Gold issued 5 million common shares (recorded at a nominal value of \$1) and a promissory note to each of the Company and Canaco. Each promissory note had a principal amount of Cdn\$1,300,000. The Company converted its promissory note into 3,250,000 Candente Gold shares on December 31, 2009, recorded at the exchange value of \$1,239,157. In connection with the transfer of the El Oro property the Company recorded an increase to deficit of \$146,073. The value of the Company's investment in Candente Gold at December 31, 2009 was \$1,239,158.

On December 17, 2009, the Company transferred its Peruvian silver and gold properties to Candente Gold. In connection with this transaction the Company received Court, regulatory and shareholder approval of the Arrangement. Candente Gold agreed to issue 13,500,000 Candente Gold shares to the Company (completed in January 2010) and grant a copper net smelter return royalty to the Company in return for the transfer of the properties. The properties were transferred at their carrying value of \$4,663,250.

The Arrangement included the following:

- the distribution by the Company to its shareholders of a portion of its Candente Gold Shares, specifically one Candente Gold share for every five Company shares held by each shareholder, by way of reduction of the Company's paid up capital (completed January 2010) (Note 20);
- a private placement by Candente Gold in accordance with market conditions (completed December 2009) and then the listing of the common shares of Candente Gold on the TSX (completed January 2010) .

As a result of the Arrangement the Company is now in a position to dedicate its resources to copper and base metals exploration and development, specifically the Cañariaco property, while continuing to hold an interest in Candente Gold. The Arrangement also allowed the Company's shareholders to retain their Company shares and to receive shares in Candente Gold, and mitigated the risk to the Company's shareholders resulting from funding the obligations of the silver-gold properties.

8. Mineral Properties

At December 31, 2009, mineral properties are comprised of interests in mineral claims and mining concessions located in Peru. These interests are held by the Company, or through option agreements under which the Company has a right to acquire an interest in mineral properties.

Refer to the Schedule of Mineral Properties for a summary of capitalized mineral property expenditures incurred during 2009 and 2008 by major expenditure type.

Cañariaco Property

The Company has a 100% interest in 21 mineral claims comprising approximately 17,200 hectares located in Lambayeque, Peru. Refer to the Consolidated Schedule of Mineral Properties for a summary of capitalized mineral property expenditures by major expenditure type for the Cañariaco Property.

Other Peruvian Properties

Other Peruvian properties are: Jehuamarca, El Naranjo, Yasica, El As de Zinc, Las Pavas, Los Acos, La Grama, La Cuesta, Miraflores, La Huaca (Los Cedros) and Arikepay (Cerro Colorado). The Company has a 100% interest in a total of 27 claims comprising approximately 20,200 hectares located throughout Peru.

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

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9. Related Party Transactions

During 2009, a total of \$91,994 (2008: \$78,748) for geological consulting services rendered was paid or accrued to a private company associated with a director and officer, to an individual director and to an officer of the Company. These amounts are included as a component of deferred exploration costs.

During 2009 \$142,940 (2008: \$275,869) was paid as salaries to various officers of the Company; \$65,872 (2008: \$199,781) was paid or accrued to private companies associated with officers and to a director of the Company for management services rendered; \$3,455 (2008: \$5,656) was paid or accrued to an accounting firm of which a former director and officer is a partner for tax and regulatory filing services and \$nil was paid or accrued for directors' fees (2008: \$59,061). These amounts are included in general and administrative expenses.

Included in accounts receivable at December 31, 2009 is \$2,455 (2008: \$1,950) owed to the Company by certain officers for expense advances. Included in accounts payable and accrued liabilities at December 31, 2009 is \$68,975 (2008: \$207,264) owed by the Company to certain officers and directors of the Company for services rendered, reimbursement of expenses and directors' fees.

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

At December 31, 2009, a director and officer and three officers of the Company acted as a director and officer and as officers of Candente Gold (Note 7). During the year ended December 31, 2009, the Company and Candente Gold shared certain office and administrative expenses and the Company made certain payments on behalf of Candente Gold. As of December 31, 2009, a total of \$278,835 was due from Candente Gold to the Company for reimbursement of expenses (\$241,240 for reimbursement of acquisition costs incurred for the Peruvian silver-gold properties transferred to Candente Gold and \$37,595 for reimbursement of shared general and administrative expenses).

10. Share Capital

a) Authorized: Unlimited number of common shares without par value

b) Issued and Outstanding:

	Number of Common Shares	Amount
Balance at December 31, 2007	71,823,127	\$ 41,274,029
Issued for cash:		
Private placement, net of issue costs of \$860,007 (c)	7,940,000	9,475,794
Exercise of stock options	1,105,000	674,816
Issued for mineral property acquisition (d)	75,000	128,955
Fair value of stock options exercised	-	498,105
	9,120,000	10,777,670
Balance at December 31, 2008	80,943,127	\$ 52,051,699
Issued for mineral property acquisition (d)	125,000	51,788
Balance at December 31, 2009	81,068,127	\$ 52,103,487

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10. Share Capital (continued)

c) Private Placements

In June 2008, the Company completed a private placement of 7,940,000 units at a price of CAD\$1.50 per unit for gross proceeds of CAD\$11,910,000 (\$11,755,996). Each unit consisted of one common share and one-half of a share purchase warrant, with each full warrant exercisable at a price of CAD\$2.00 to purchase one additional common share until June 26, 2010. Agents' warrants to purchase 394,449 common shares of the Company at a price of CAD\$1.75 per share having a fair value of \$162,757 were issued as part of the private placement. Total share issue costs were \$860,007, resulting in net proceeds of \$10,895,989 from the private placement of which the share purchase warrants were assigned a fair value of \$1,420,195.

d) Mineral Properties

During 2009 the Company issued 125,000 common shares at a price of CAD\$0.44 per share for a total value of CAD\$55,000 (\$51,788) relating to mineral properties. The shares were recorded as an increase to deficit as they were issued in connection with the Company's remaining obligations with respect to the El Oro property.

During 2008 the Company issued 75,000 common shares at price of CAD\$1.75 per share for a total value of CAD\$131,250 (\$128,955) relating to mineral properties.

11. Stock Options

The Company has a stock-based compensation plan (the "Plan") that allows for the issuance of options up to a maximum of 15% of the Company's issued and outstanding common shares at any given time. At December 31, 2009, the Company had options outstanding to purchase a total of 8,721,750 of its common shares, and was entitled to issue options to purchase 3,438,469 additional common shares under the Plan.

The purpose of the Plan is to attract, retain and motivate directors, officers, key employees and consultants of the Company and to advance the interests of the Company by providing eligible persons with the opportunity to acquire an increased proprietary interest in the Company. Under the Plan, the grant of all stock options, and vesting provisions, if any, are at the discretion of the Company's board of directors. The term of any stock option granted may not exceed ten years and the exercise price may not be lower than the closing price of the Company's shares on the last trading day immediately preceding the date of grant. In general, stock options granted under the Plan have a term of five years with vesting provisions over a twelve month period.

A continuity summary of the stock options granted under the Plan is presented below:

	Years Ended December 31,			
	2009		2008	
	Number of Common Shares	Weighted- Average Exercise Price (CAD\$/Share)	Number of Common Shares	Weighted- Average Exercise Price (CAD\$/Share)
Balance, beginning of year	7,901,500	\$1.13	9,003,000	\$0.70
Granted	3,270,000	\$0.42	1,950,000	\$1.05
Exercised	-	-	(1,105,000)	\$0.62
Expired	(1,904,750)	\$0.88	(405,000)	\$0.72
Forfeited	(545,000)	\$1.95	(1,541,500)	\$1.10
Balance, end of year	8,721,750	\$0.87	7,901,500	\$1.13

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11. Stock Options (continued)

A summary of stock options outstanding and exercisable at December 31, 2009 is presented below:

Range of Exercise Prices per Share (CAD\$)	Stock Options Outstanding			Stock Options Exercisable	
	Stock Options Outstanding to Purchase Common Shares	Weighted-Average Exercise Price (CAD\$/Share)	Weighted-Average Remaining Contractual Life (Years)	Stock Options Exercisable to Purchase Common Shares	Weighted-Average Exercise Price (CAD\$/Share)
\$0.33 to \$0.48	3,335,000	\$0.42	4.65	3,135,000	\$0.42
\$0.69 to \$0.85	2,406,250	\$0.76	1.98	2,156,250	\$0.75
\$1.09 to \$1.55	2,635,500	\$1.41	2.53	2,635,500	\$1.41
\$1.80 to \$2.05	345,000	\$1.87	2.80	345,000	\$1.87
	8,721,750	\$0.87	3.20	8,271,750	\$0.88

Stock options outstanding expire between January 2010 and November 2014.

The fair value-based method of accounting is applied to stock options granted to employees, including directors, and non-employees. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Years Ended December 31,	
	2009	2008
Risk-free interest rate	2.33%	2.81%
Expected stock price volatility	95.96%	72.77%
Expected life	3.45 years	2.86 years
Expected dividend yield	-	-
Weighted-average fair value per share under options granted	\$0.28	\$0.36

12. Share Purchase Warrants

Share purchase warrants were issued as part of a private placement of units or as agent's warrants relating to private placements. A continuity summary of the share purchase warrants issued is presented below:

	Years Ended December 31,			
	2009		2008	
	Number of Common Shares	Weighted-Average Exercise Price (CAD\$/Share)	Number of Common Shares	Weighted-Average Exercise Price (CAD\$/Share)
Balance, beginning of year	4,925,042	\$1.91	560,592	\$1.37
Issued	-	-	4,364,450	\$1.98
Expired	(560,592)	\$1.37	-	-
Balance, end of year	4,364,450	\$1.98	4,925,042	\$1.91

Share purchase warrants outstanding at December 31, 2009 expire in June 2010.

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12. Share Purchase Warrants (continued)

The fair value-based method of accounting is applied to the issuance of share purchase warrants on the date of issuance using the Black-Scholes model. The weighted-average fair value of the warrants issued in 2008 is CAD\$0.36 calculated using the following weighted-average assumptions: 3.05% risk-free interest rate; expected stock price volatility of 65.05%; expected life of 2 years; and no expected dividend yield.

13. Contributed Surplus

A continuity summary of contributed surplus is presented below:

	Years Ended December 31,	
	2009	2008
Balance, beginning of year	\$ 7,103,443	\$ 4,128,905
Stock-based compensation as a result of stock options vested	1,091,021	1,889,692
Stock-based compensation as a result of share purchase warrants issued	-	1,582,951
Value of stock options assigned to share capital upon exercise of stock options	-	(498,105)
Balance, end of year	\$ 8,194,464	\$ 7,103,443

14. Accounting for Financial Instruments

Fair Values

The Company's financial instruments include cash and cash equivalents, investments (marketable securities and gold bullion), amounts receivable, shares receivable, investment in Candente Gold, accounts payable and accrued liabilities. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

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14. Accounting for Financial Instruments (continued)

The following table provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2009:

	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total fair value
	\$	\$	\$	\$	\$
Cash and cash equivalents	-	-	992,400	-	992,400
Marketable securities	-	34,029	-	-	34,029
Gold bullion	-	-	326,422	-	326,422
Amounts receivable	303,170	-	-	-	303,170
Shares receivable	4,422,011	-	-	-	4,422,011
Investment in Candente Gold	-	1,239,158	-	-	1,239,158
Accounts payable & accrued liabilities	-	-	-	1,253,054	1,253,054

The Company has made the following classifications for its financial instruments:

Cash and cash equivalents and gold bullion are classified as "Assets held for trading" and are measured at fair value at the end of each period with any resulting gains or losses recognized in operations. Accounts receivable and shares receivable are classified as "Receivables and loans" and are recorded at amortized cost using the effective interest rate method, which upon their initial measurement is equal to their fair value. Subsequent measurement of receivables is at amortized cost, which usually corresponds to the amount initially recorded less any recoverability allowance. Marketable securities have been designated as "Available for sale." Accordingly, gains or losses arising from changes in fair value are recorded as Other Comprehensive Income and included in Accumulated Other Comprehensive Income in the Company's Balance Sheet until the investments are sold or management determines that other than temporary impairments in the value of the investments have occurred, at which time the accumulated gains or losses are transferred to earnings. Accounts payable and accrued liabilities are classified as "Other financial liabilities" and are measured at amortized cost using the effective interest rate method.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly and
- Level 3 – Inputs that are not based on observable market data.

At December 31, 2009, the Company's financial instruments which are measured at fair value on a recurring basis were cash and cash equivalents, marketable securities and gold bullion. These financial instruments were classified as "level 1" instruments. The investment in Candente Gold was classified as "level 3".

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14. Accounting for Financial Instruments (continued)

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. Cash deposits are maintained with financial institutions of reputable credit in Canada and Peru and are redeemable on demand. Most of the Company's cash and cash equivalents are held in Canada and invested in low-risk liquid instruments such as Guaranteed Investment Certificates ("GIC") issued by British Columbia Credit Unions. The GICs are insured on a no-limit basis under the Credit Union Deposit Insurance Corporation. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or will engage in negotiations to extend terms with creditors. The Company manages liquidity by continuously monitoring and forecasting cash flows. As at December 31, 2009, the Company's liabilities were comprised of accounts payable and accrued liabilities all due with maturities of less than one year.

Foreign Exchange Risk

The Company faces certain foreign risk as its general and administrative expenses and deferred exploration expenses are incurred either in Canadian dollars or Peru soles, and these countries' currencies may appreciate or depreciate against the US dollar, the Company's reporting currency. It also has exposure risk with respect to amounts due for property maintenance payments, as these amounts are owed in currencies other than the US dollar. The Company's major source of cash proceeds is from the issuance of shares and traditionally these funds are received in Canadian dollars. The Company has chosen not to actively manage its foreign exchange risk. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. As at December 31, 2009, with other variables unchanged, a \$0.01 strengthening (weakening) of the Canadian dollar against the US dollar would have a \$97,877 effect (2008: \$335,968) on net loss. There would be a nominal effect on other comprehensive loss (income).

Interest Rate Risk

Included in the results of operation of the Company is interest income earned on Canadian Dollar cash deposits. Interest income is not material to the Company. The Company has no outstanding debt subject to interest. Accordingly the Company's opinion is that there currently is no interest rate risk for the Company.

Other Risks

The Company faces certain commodity price risk from holding investments in gold bullion, however as at December 31, 2009, with other variables unchanged, a \$0.01/oz change in the price of gold would have had a nominal effect on net loss (2008: nominal effect). The Company also faces certain risk from holding investments in marketable securities, although this risk is considered to be nominal by the Company.

15. Capital Risk Management

The Company manages as capital its share capital, cash and cash equivalents, accounts payable and accrued liabilities and to a lesser extent contributed surplus. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds operations and exploration activities from the issuance of shares generally through private placements. On occasion, the Company issues shares to make property payments. The Company also issues stock options to incentivize directors, employees, officers and consultants.

The Company prepares an annual budget for exploration and operations, and initiates equity offerings or pursues strategic partnerships to ensure it is appropriately funded. The Company attempts to take advantage of favourable equity market conditions to reduce the cost and dilutive effect of equity. If market conditions are not favourable, the Company will extend, delay or cancel exploration programs and reduce discretionary spending.

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15. Capital Risk Management (continued)

Surplus cash is invested in low-risk liquid instruments such as secured GICs. There were no changes to the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

16. Income Taxes

A reconciliation of income taxes at combined statutory rates with the reported taxes and is presented below:

	Years Ended December 31,	
	2009	2008
Loss for the year	\$ (1,348,379)	\$ (5,031,651)
Income tax recovery at combined basic tax rate	404,514	1,559,812
Effect of change in valuation allowance	(196,720)	(602,335)
Effect of non-deductible items	(206,935)	(942,478)
Other	(859)	(14,999)
Income tax recovery	\$ -	\$ -

The significant tax effects of temporary differences resulting in future income tax assets are presented below:

	December 31,	
	2009	2008
Future income tax assets:		
Non-capital loss carry-forwards	\$ 4,644,244	\$ 3,708,049
Mineral properties	9,396,054	8,937,309
Equipment	56,854	41,085
Share issue costs	164,067	144,837
	14,261,219	12,831,280
Valuation allowance	(14,261,219)	(12,831,280)
Future income tax assets	\$ -	\$ -

At December 31, 2009, the Company had non-capital loss carry-forwards of approximately \$10.4 million (2008:\$8 million) and had resource related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada. These losses, if not utilized, will expire annually and are available for use up to the 2029 taxation year.

The Company also had net operating loss carry-forwards for tax purposes of approximately \$5 million (2008:\$4.1 million) and resource related amounts totaling approximately \$28.6 million (2008:\$27.4 million) available, subject to certain restrictions, for deduction against future taxable income in Peru.

Management believes that sufficient uncertainty exists regarding the realization of certain future income tax assets and that a valuation allowance is required.

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17. Segmented Information

	December 31,	
	2009	2008
Total assets:		
Canada	\$ 7,172,717	\$ 3,745,451
Peru	36,665,782	40,428,229
Mexico	-	1,082,357
	\$ 43,838,498	\$ 45,256,038

18. Commitments and Contingencies

The Company has committed to payments under operating leases for the rental of office space, warehouse facilities and accommodations which expire from June to December 2010. The future minimum lease payments are as follows:

Fiscal Year	
2010	\$ 110,149

During 2008 a claim was filed against Exploraciones Milenio S.A. ("Milenio"), a fully owned Peruvian subsidiary, for alleged breach of contract with respect to a contract for the lease of offices in Lima, Peru with option to purchase. In August 2009 amounts equivalent to \$36,191 were garnished from Milenio's bank accounts pursuant to a court order. The Company has retained legal counsel in Peru to respond to this claim, and as at December 31, 2009 has recorded a charge of \$36,116 in connection with the claim. Liens on three of the Company's vehicles in Peru were also put in place in connection with this claim.

19. Supplementary Cash Flow Information

	December 31,	
	2009	2008
Cash received during the year for interest	\$ 15,007	\$ 179,602

Cash and cash equivalents consist of:

	December 31,	
	2009	2008
Cash	\$ 308,834	\$ 993,929
Cash equivalents	683,566	2,454,393
	\$ 992,400	\$ 3,448,322

At December 31, 2009, cash equivalents consist solely of Guaranteed Investment Certificates ("GIC") issued by British Columbia Credit Unions. The GICs are insured on a no-limit basis under the Credit Union Deposit Insurance Corporation and can be converted into cash at anytime at the option of the Company.

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19. Supplementary Cash Flow Information (continued)

The significant non-cash transactions during the year ended December 31, 2009 were:

- a) The Company issued 125,000 common shares valued at \$51,788 in connection with the Company's final obligation with respect to the El Oro property (Note 10(d)).
- b) The Company recorded stock-based compensation of \$1,091,021, calculated using the Black-Scholes pricing model.
- c) At December 31, 2009, net exploration costs included in accounts payable and accrued liabilities were \$1,098,300.

The significant non-cash transactions during the year ended December 31, 2008 were:

- a) The Company issued 75,000 common shares valued at \$128,955 in connection with the Company's obligation with respect to the El Oro property (Note 10(d)).
- b) The Company recorded stock-based compensation of \$1,889,692, calculated using the Black-Scholes pricing model.
- c) The Company issued 394,449 warrants valued at \$162,757 as finders' fees in connection with a private placement (Note 10(c)).
- d) At December 31, 2008, net exploration costs included in accounts payable and accrued liabilities were \$2,031,012.

20. Subsequent Events

- a) On January 6, 2010, the Company and Candente Gold implemented the final steps of the Arrangement (Note 7) which included the issuance of 13,500,000 shares of Candente Gold to the Company for the transfer of the Company's Peruvian silver-gold properties and the distribution by the Company as a return of capital of a total of 16,213,627 of the Company's shares to its shareholders, on the basis of one Candente Gold share distributed for every five shares of the Company held by each shareholder.
10. On March 9, 2010, the Company announced the closing of a private placement (the "Offering") of 12,938,011 units ("Units") and 4,856,185 special warrants ("Special Warrants"), for gross proceeds of Cdn\$6,227,969. The Units and Special Warrants were sold for a price of Cdn\$0.35 each. Each Unit consisted of one common share in the capital of the Company ("Share") and one half of one share purchase warrant ("Warrant"). Each whole Warrant is exercisable for the 3 year period from the date of closing to purchase one Share at a price of Cdn\$0.50 per Share. Each Special Warrant will be automatically converted into one Unit at no additional cost to the holder providing shareholder approval for the sale of the Special Warrants is obtained at the Company's annual general meeting, scheduled for May 13, 2010, or at any adjournment of such meeting. The Cdn\$1,699,665 in gross proceeds from the sale of the Special Warrants has been deposited into escrow to be held in trust pending shareholder approval. On the first business day following receipt of shareholder approval, each Special Warrant will automatically be converted into one Unit. If shareholder approval is not obtained, all of the funds held in escrow will be returned to the subscribers. The Special Warrants, the Shares and Warrants comprising the Units, and the Shares issuable upon exercise of the Warrants, are all subject to the same four-month hold period (ending on July 10, 2010) applicable under Canadian securities law. In connection with this offering, the Company paid a 6% cash commission and issued 661,876 broker/finder warrants ("Broker Warrants") and 242,602 special broker/finder warrants ("Special Broker Warrants") on all of the brokered portions of the offering and on part of the non-brokered portion of the offering. Each Broker Warrant is exercisable for a period of 36 months from closing to purchase one share at a price of Cdn\$0.45 per share. Each of the Special Broker Warrants will automatically be converted into one Broker Warrant upon receipt of shareholder approval, and will expire if shareholder approval is not obtained.

CANDENTE COPPER CORP.
(Formerly Candente Resource Corp.)

Management Discussion and Analysis
Year Ended December 31, 2009

CANDENTE COPPER CORP. (formerly Candente Resource Corp.)

Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008
(Expressed in U.S. Dollars, Unless Otherwise Noted)

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of Candente Copper Corp. ("Candente Copper") and its subsidiary companies (collectively, the "Company") is prepared as of March 30, 2010 and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2009, 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. The Company's accounting policies have been consistently followed in the preparation of the 2009 consolidated financial statements.

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

Candente Copper's common shares are listed on both the Toronto and Lima Stock Exchanges under the trading symbol "DNT".

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 Copper is a Vancouver, Canada, based mineral exploration company that conducts its operations through wholly-owned subsidiaries. The Company currently has projects in Peru and is primarily focused on copper properties.

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

The Cañariaco project is the Company's highest priority project.

An independent, updated Mineral Resource estimate on the Cañariaco Norte deposit was released on May 29, 2008. The Mineral Resource estimate was updated to include gold and silver values and released on September 18, 2008. On December 12, 2008, the Company filed a NI 43-101 compliant Preliminary Economic Assessment report on the Cañariaco Norte Project. This is the Company's most advanced exploration project to date. No other properties that the Company is presently exploring or is in possession of contain a National Instrument 43-101 mineral resource.

CORPORATE DEVELOPMENTS

The onset of the current worldwide economic crisis during 2008 had a significant effect on the Company's operations. Management made the strategic decision to complete a plan of arrangement that included the transfer of the Company's interests in its precious metals properties to a newly incorporated company, Candente Gold Corp. ("Candente Gold") in exchange for consideration that included shares in Candente Gold. The properties transferred to Candente Gold were those where the precious metal component was considered dominant or essential to making the project economic based on then current metal prices and the Company's geological knowledge of the properties at the time of the transfer. On April 30, 2009 and on December 17, 2009 respectively, the Company completed the transfer of its interests in the El Oro property and its Peruvian silver-gold properties to Candente Gold. Candente Gold's shares started trading on the Toronto Stock Exchange ("TSX") on January 4, 2010.

The arrangement allows the Company to dedicate its resources to copper and base metals exploration and development, specifically the Cañariaco property. The new focus of Candente Copper allowed management to complete a financing for gross proceeds of Cdn\$6,227,969 subsequent to year end (see *Subsequent Events*).

In an effort to preserve limited cash resources and ensure its ability to continue operations given the economic climate prevailing in the year, the Company significantly curtailed its exploration activities in 2009. The Company recorded a reduction of \$4,815,159 in its capitalized mineral properties in the year, most notably reductions of \$4,663,250 and \$1,106,738 for the transfers of the Peruvian silver-gold and the El Oro properties, respectively. The Company also recorded a write-down of mineral properties of \$238,051, incurred acquisition and exploration costs of

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Management's Discussion and Analysis

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\$956,724 and increased its Value Added Tax ("VAT") credits by \$236,156. VAT credits are a component of Mineral Properties.

The above mineral property costs were funded from existing cash resources.

The Company posted a loss in the year of \$1,348,379. The most significant expenses were \$1,091,021 for stock-based compensation expense (a non-cash expense), a write-down of mineral properties of \$238,051 and management and office salaries and benefits of \$236,250. The Company also recorded a foreign exchange gain of \$669,574 in the year.

Other comprehensive income in 2009 was \$12,726 for unrealized fair value adjustments to marketable securities. Comprehensive loss for the year ended December 31, 2009 was \$1,335,653. Loss per share was \$0.02.

The Company completed a financing for gross proceeds of Cdn\$6,227,969 subsequent to year end and is in the process of resuming work on Cañariaco and its other Peruvian projects.

TRANSFER OF SILVER AND GOLD PROPERTIES TO CANDENTE GOLD

During 2009 management made the strategic decision to complete a plan of arrangement (the "Arrangement") that included the transfer of the Company's interests in its precious metals properties to a newly incorporated company, Candente Gold, which was incorporated by the Company and Canaco Resources Inc. ("Canaco") on April 24, 2009. Candente Gold will focus on exploration and development of precious metals projects in Latin America.

On April 30, 2009, the Company and Canaco completed the transfer to Candente Gold of their respective 50% interests in Minera CCM, S.A. de C.V., the Mexican company that holds an option on the El Oro gold property in Mexico (the "Option"). As consideration for the transfer of the El Oro interests, Candente Gold issued 5 million common shares (recorded at a nominal value of \$1) and a promissory note to each of the Company and Canaco. Each promissory note had a principal amount of Cdn\$1,300,000. The Company converted its promissory notes into 3,250,000 Candente Gold shares on December 31, 2009, recorded at the exchange value of \$1,239,157. In connection with the transfer of the El Oro property the Company recorded an increase to deficit of \$146,073. The value of the Company's investment in Candente Gold at December 31, 2009 was \$1,239,158.

On December 17, 2009, the Company transferred its Peruvian silver and gold properties to Candente Gold. In connection with this transaction the Company received Court, regulatory and shareholder approval of the Arrangement. Candente Gold agreed to issue 13,500,000 Candente Gold shares to the Company (completed in January 2010) and grant a copper net smelter return royalty to the Company in return for the transfer of the properties. The properties were transferred at their carrying value of \$4,663,250.

The Arrangement included the following:

- the distribution by the Company to its shareholders of a portion of its Candente Gold Shares, specifically one Candente Gold share for every five Company shares held by each shareholder, by way of reduction of the Company's paid up capital (completed January 2010);
- a private placement by Candente Gold in accordance with market conditions (completed December 2009) and then the listing of the common shares of Candente Gold on the TSX (completed January 2010).

As a result of the Arrangement the Company is now in a position to dedicate its resources to copper and base metals exploration and development, specifically the Cañariaco property, while continuing to hold an interest in Candente Gold. The Arrangement also allowed the Company's shareholders to retain their Company shares and receive shares in Candente Gold, and mitigated the risk to the Company's shareholders resulting from funding the obligations of the silver-gold properties.

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PROJECTS UPDATE

Cañariaco

The Cañariaco property (the "Property") is a 13,400 hectare advanced stage porphyry copper exploration project located in Northern Peru. The Property is not a producing property and the Company's current operations consist of preliminary engineering assessment of the Cañariaco deposit and an exploratory search for additional mineable mineral deposits.

The Company acquired the Property through an auction process in 2001. To maintain the Property in good standing, annual property payments of \$17,500 commenced in June 2002. The Company is currently in the process of renewing its Exploration Permits on the property, as required by the Ministry of Energy and Mines of Peru. The Company has a 100% interest in the mineral rights of the Property. The Company is in discussions with the local communities regarding surface rights.

The Cañariaco porphyry system lies within a belt of porphyry copper deposits which extend 350 km from Cajamarca north by northwest to the Ecuadorian border. The known porphyry deposits within this belt comprise two types: porphyry copper-molybdenum and porphyry copper-gold deposits.

Three separate porphyry systems have been identified on the Property: Cañariaco Norte, Cañariaco Sur and Quebrada Verde. Mineralization at Cañariaco Norte is copper-gold and is associated with a composite, multiphase porphyry stock and breccias with a well developed fine to medium grained quartz-sulphide stockwork. Copper mineralization at Cañariaco Norte occurs mainly as primary hypogene chalcopyrite, chalcocite and minor bornite, covellite, and lesser enargite and tennantite. Copper mineralization at Cañariaco Sur is primarily chalcopyrite and bornite intrusives and breccias similar to those which host the bulk of the copper mineralization at the Cañariaco Norte deposit.

The Company first drilled at Cañariaco in 2004. Drilling continued in 2005, 2006, 2007 and 2008. In 2008 diamond drilling at Cañariaco Norte totaled 13,793.10 m in 41 new drill holes (C08-204 to C08-244) and one deepened drill hole (C07-167). The total diamond drilling included 3,891.10 m of resource confirmation and geotechnical drilling requested by SRK Consultants Canada ("SRK"), 3,551.05 m of drilling for metallurgical sample acquisition and 6,350.95 m of resource definition drilling including deep infill and lateral extension (post resource estimate). As of December 31, 2009, total diamond drilling completed to date at Cañariaco Norte by Candente since 2004 was 71,162.70 m in 244 holes. Total meterage drilled by all companies since 1973 is 74,072.31 m.

Exploration work carried out at Cañariaco Sur during 2008 included 1:2000 scale geological mapping, rock and soil geochemistry, IP/Resistivity and magnetics surveys and diamond drilling.

A total of 1,040.60 m in two diamond drill holes were completed at Cañariaco Sur during 2008. Results from the first hole (CS08-001) intersected average grades of 0.35% copper, 0.15 grams per tonne gold and 1.43 grams per tonne silver from 180 to 535 m. Within this 354 m interval, drilling intersected 0.41% copper, 0.17 grams per tonne gold and 1.59 grams per tonne silver from 300 to 400 m. Diamond drill hole CS08-002 (collared 320m north of CS08-001), also within the Cañariaco Sur deposit, intersected 83 m (166 to 249 m) of 0.47% copper, 0.15 grams per tonne gold and 1.63 grams per tonne silver within a larger 176 m intersection (73 to 249 m) averaging 0.40% copper, 0.13 grams per tonne gold and 1.54 grams per tonne silver. The lower 257m drilled (from 249 m to end of hole at 506m depth) intersected weak copper and gold mineralization outside of the main mineralized zone.

A 20 line km IP/Resistivity survey and Magnetic survey was completed over the southern extension of Cañariaco Sur and Quebrada Verde. This survey extended the original IP/Resistivity and Magnetic surveys completed by Billiton over Canariaco Sur in 1999.

Targets for future drilling at Cañariaco Sur are based on a coincident magnetic high, Induced Polarization (IP) chargeability high and resistivity low and copper, gold and molybdenum soil anomalies. At Quebrada Verde drill targets are based on coincident magnetic highs (2), IP chargeability high centered on a resistivity anomaly and copper, gold and molybdenum soil anomalies over an area of 0.8 km by 2.0 km.

Soil geochemistry sampling was carried out on the geophysics grid and rock geochemistry sampling was carried out during detailed geological mapping. A total of 392 soil samples and 355 rock samples were analyzed.

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Since the inception of drilling and other exploration activities by the Company, Candente has applied Quality Assurance and Quality Control protocols. The sampling, analysis, and security/chain of custody procedures are all conducted to industry standards, overseen by qualified professionals and conducted by registered professional consultants and certified laboratories.

On May 29, 2008 an updated resource estimate was completed on Cañariaco Norte by SRK. At a cut-off grade of 0.3% Cu, the Measured Resource was estimated at 237 MT averaging 0.51% Cu and the Indicated Resource at 385 MT averaging 0.45% Cu. Together the Measured and Indicated Resource was 622 MT at an average grade of 0.47% Cu, containing 6.46 billion pounds of copper. The Inferred Resource was estimated at 128 MT averaging 0.43% Cu at a cut-off grade of 0.3% Cu.

On September 18, 2008 the resource estimate was updated by SRK to include gold and silver values.

In addition to the copper resource stated above, the Measured Resource of 237 MT was estimated to average 0.08 g/t gold and 1.94 g/t silver. The Indicated Resource was estimated to average 0.07 g/t gold and 1.76 g/t silver. Together the Measured and Indicated Resource was 622 MT averaging 0.07 g/t gold and 1.83 g/t silver containing 1.43 million ounces of gold and 36.5 million ounces of silver. The Inferred Resource of 128 MT was estimated to average 0.06 g/t gold and 1.64 g/t silver.

The resource estimate is classified as a Measured, Indicated and Inferred Mineral Resource, consistent with the Canadian Institute of Mining, Metallurgy and Petroleum definitions for Mineral Resources and Mineral Reserves. Mineral resources, which are not mineral reserves, have not demonstrated economic viability. Candente is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing or other issues which may materially affect its estimate of mineral resources.

On May 14, 2007, the Company selected Samuel Engineering, Inc. ("Samuel"), a recognized international engineering firm to lead a definitive feasibility study for the Cañariaco Norte project. Specialist consultants Tetra Tech Inc., Hydrometal LLC, Transmin SAC, Merit International Consultants, were also selected to join the Cañariaco feasibility team. SRK was selected to provide services for resource modeling, starter pit optimization, geotechnical studies, mine planning and to develop a new resource estimate at Cañariaco Norte based on the holes drilled by December 31, 2007. A review of the Quality Assurance and Quality Control procedures utilized by Candente was also part of SRK's scope of services.

The objective of the definitive feasibility study was to develop a comprehensive evaluation of mining, processing, tailings containment, power sources, water sources, access, and capital and operating costs for the Cañariaco Norte project. The completion of the Environmental Impact Assessment was also a key aspect of the feasibility study.

As part of the feasibility assessment process, an updated, NI 43-101 compliant Preliminary Economic Assessment ("PEA") was completed by SRK for the Cañariaco Norte project in 2008, based on the updated resource estimate issued in September 2008. The PEA, issued on December 12, 2008 proposed a large scale mining and processing operation utilizing proven industry technology to produce copper concentrate. Mining would be by open pit utilizing trucks and shovels. Processing would utilize primary crushing, semi-autogenous and ball mill grinding followed by rougher and cleaner flotation for copper recovery and concentrate production. Copper concentrate would be dewatered at site and transported by truck to a load-out port on the Peruvian coast where it will be loaded onto vessels for trans-ocean shipment to offshore smelters for refining.

Based on the preliminary engineering studies, the initial project development scenario had envisioned development of a smaller scale open pit mine and heap leaching operation to produce copper cathodes. However as development drilling progressed it confirmed the presence of a much larger sulphide resource containing predominantly chalcopyrite copper mineralization, which leaches poorly but responds very well to traditional flotation recovery technology. While initial capital expenditures are significantly higher for a large scale milling operation relative to a smaller scale leach operation, the larger resource and increased copper recoveries were projected to achieve a higher net present value and justify the additional scope and capital of the project.

The PEA issued December 12, 2008 can be found on SEDAR (www.sedar.com) and on the Candente Copper website (www.candentecopper.com).

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Due to the severe downturn in the world economy in late 2008 and 2009, work on the definitive feasibility study for Cañariaco Norte was postponed in 2009. Feasibility study work commenced again in 2010 subsequent to the completion of a private placement in March 2010 (see *Subsequent Events*).

The proposed timeline for project development to production is scheduled to be approximately four years after commencement of full feasibility.

Joanne Freeze, P.Geo., Director and CEO and Sean Waller, P. Eng., Director and President are the qualified persons responsible for the review of the technical information contained under the Cañariaco Property.

Other Peruvian Properties

The main properties other than Cañariaco are listed below. The following disclosure has been prepared by or under the supervision of Sean I. Waller, President and Director of the Company and Joanne C. Freeze, 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.

La Grama

This property is located in the northern portion of the Cordillera Occidental in the Peruvian Andes and consists of a single claim totaling 800 hectares. The property hosts a copper/molybdenum porphyry system with quartz stockwork and breccias bodies. Previous work on the property includes reconnaissance mapping at 1:10,000 scale and 18 surface rock samples.

Miraflores

The property is located in the Province of Chicama and consists of single claim called "Las Flores" totaling 796.32 hectares. The limited data that exists on the Miraflores prospect suggests it hosts a copper/molybdenum porphyry of the classic form. Clearly exposed are the oxide zone with copper staining and a few windows in which phyllic and potassic alteration is identifiable. Also observed is an igneous breccia body with quartz stockwork and sulfides associated with potassic alteration.

Las Pavas

The property is located on the flank of the Cordillera Negra of the Peruvian Andes. The property consists of one mineral concession totaling 887.9 hectares. Previous work includes regional mapping and surface rock samples. Las Pavas has the potential to be host to a copper/molybdenum porphyry.

La Huaca (Los Cedros)

The property consists of 6 mineral claims (Los Cedros 1 to 6 and 11) totaling 2700 hectares. The La Huaca copper-gold porphyry property is located approximately 30 km northeast of Cañariaco Norte. The property has undergone significant previous exploration, including mapping, rock geochemical and induced polarization surveys (IP) and drilling. Twelve drill holes tested a large, coincident IP chargeability and Cu-Au rock geochemical anomaly and intersected significant, disseminated and veined Cu-Au mineralization over a broad area. Mineralization remains open vertically and laterally in several directions. IP chargeability and Cu-Au rock geochemical anomalies suggest the mineralization could be much more extensive.

Yasica

The property is located in the Province of Jorge Vazadre and consists of one mineral concession of 1,000 hectares. From field mapping, it would appear that the property shows signs of alteration and mineralization that suggest an eroded copper-moly porphyry system.

La Cuesta

The property is located in the Province of Jaen. Only preliminary exploration work has been conducted on the property to date.

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Los Acos

This property is located in the Province of Lucana/Palpa and has an area of 400 hectares. Los Acos is an anomalous area of copper values set in a coastal geological environment that has possibilities of hosting a porphyry type deposit. Exploration work in the property has been limited to date.

Arikepay (Cerro Colorado)

The property is located in the Province of Islay and consists of an area of 1,000 hectares. Arikepay is a copper showing in a porphyry type setting, with good alteration on surface. Limited exploration work has been done to date. Geophysics is required to define the sub-surface expression of the surface showing.

El As de Zinc

The property is located in the Province of Lata/Huari/Huamali and consists of an area of 6,000 hectares. The geological target is carbonate hosted Pb/Zn/Ag in a stratigraphically controlled setting.

Jhuamarca

This 3,600 hectare property is located in the Province of Cutervo/Ferreñafe. It hosts a high sulphidation vein system located adjacent to Cañariaco with a possible genetic relationship to the porphyry systems. The property shows anomalous silver values with associated Pb/Zn in a volcanic and sedimentary setting.

El Naranjo

This property is located in the Province of Ferreñafe, approximately 22 km. to the southwest of the Cañariaco project. It consists of two mineral concessions for a total of 2,000 hectares.

SELECTED ANNUAL FINANCIAL INFORMATION

	Years Ended December 31,		
	2009	2008	2007
Total revenue	\$ -	\$ -	\$ -
Net loss for the year	(1,348,379)	(5,031,651)	(3,423,928)
Basic and diluted loss per share	(0.02)	(0.07)	(0.05)

	December 31		
	2009	2008	2007
Working capital	\$ 469,065	\$ 1,556,633	\$ 8,627,617 ¹
Mineral properties	36,103,660	40,918,819	25,360,962 ²
Total assets	43,838,498	45,256,038	36,208,878

¹ Restated from prior reported working capital of \$8,562,587 to include the reclassification of \$65,030 of VAT credits in Mexico as a component of amounts receivable.

² Restated from prior reported mineral properties of \$23,065,172 to include the reclassification of \$2,295,790 of VAT credits in Peru as a component of mineral properties.

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RESULTS OF OPERATIONS

During the year ended December 31, 2009 the Company posted a loss of \$1,348,379, compared to a loss of \$5,031,651 in the year ended December 31, 2008. The Company is in the exploration stage, with no significant sources of revenue.

The significant decrease in net loss in 2009 was due to substantially reduced levels of corporate activity and staff levels as a response to the worldwide economic crisis, the sharing of certain general and administrative expenses with Candente Gold as of May 1, 2009, and a foreign exchange gain during the year.

The \$669,574 foreign exchange gain in 2009 (compared to a loss in foreign exchange of \$1,123,133 in 2008) was mostly of an unrealized nature. The U.S. dollar depreciated in value compared to the Canadian dollar and the Peruvian sol during the year, therefore certain monetary assets held by the Company in both of those currencies must be translated into U.S. dollars at each balance sheet date for financial statement purposes, resulting in higher U.S. dollar values and a foreign exchange gain.

General and administrative expenses are expected to increase slightly from 2009 levels, as the Company resumes exploration and engineering activity in Peru.

The Company's highest general and administrative expense in fiscal 2009 was stock-based compensation of \$1,091,021 (2008: \$1,889,692). Stock-based compensation is a non-cash expense. Stock-based compensation decreased from 2008 due to a lower vesting cost for options vested in the year.

The second most significant expense for the Company in 2009 was a \$238,051 write-down of mineral properties (\$nil in 2008), in connection with management's evaluation of properties that did not warrant additional exploration and/or for properties where exploration activity had not taken place in the last three years.

The third most significant general and administrative expense for the Company in 2009 was management and office salaries and benefits of \$236,250 (2008: \$839,777). This expense decreased sharply in the year due to a combination of significant reductions in administrative staff in 2009, reliance on certain part-time staff, sharing of certain salaries with Candente Gold and the absence of severance payments in 2009.

Other expenses in 2009 were in most instances lower than in 2008, with the exception of audit and accounting costs which in 2009 included an accrual for the 2009 audit in the 2009 accounts.

The Company posted other comprehensive income of \$12,726 in 2009 for fair value adjustments to certain "available for sale" marketable securities. In 2008 the Company posted other comprehensive loss of \$54,139 for these same adjustments.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	<u>QE Dec. 31, 2009</u>	<u>QE Sept. 30, 2009</u>	<u>QE June 30, 2009</u>	<u>QE March 31, 2009</u>
Total revenue	\$ -	\$ -	\$ -	\$ -
Net loss	(298,778)	(833,990)	179,883	(395,494)
Basic and diluted loss per share	-	(0.01)	-	(0.01)
	<u>QE Dec. 31, 2008</u>	<u>QE Sept. 30, 2008</u>	<u>QE June 30, 2008</u>	<u>QE March 31, 2008</u>
Total revenue	\$ -	\$ -	\$ -	\$ -
Net loss	(1,618,647)	(1,248,503)	(1,114,984)	(1,049,517)
Basic and diluted loss per share	(0.02)	(0.02)	(0.02)	(0.01)

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LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summary of key liquidity and cash flow indicators for the years ended December 31, 2009 and 2008:

	Year Ended December 31, 2009	Year Ended December 31, 2008
Cash provided by (used in)		
Operating activities	\$ (673,097)	\$ (693,968)
Investing activities	(2,074,257)	(14,929,759)
Financing activities	-	11,733,561
Foreign exchange (loss) gain on cash held in foreign currency	291,432	(1,500,941)
Increase (decrease) in cash and cash equivalents during the year	(2,455,922)	(5,391,107)
Cash and cash equivalents – beginning	3,448,322	8,839,429
Cash and cash equivalents – ending	992,400	3,448,322
Working capital	469,065	1,556,633

At December 31, 2009 the Company had cash and cash equivalents of \$992,400 and working capital of \$469,065, compared to cash and cash equivalents of \$3,448,322 and working capital of \$1,556,633 at December 31, 2008.

In recent years the Company has relied on the issuance of share capital to fund acquisitions, exploration activities and general and administrative expenses.

The Company's ability to continue operations is contingent on its ability to obtain additional financing. Subsequent to year end, the Company completed a private placement for gross proceeds of Cdn\$6,227,969.

Operating Activities

Cash used in operations during the year, including the changes in non-cash working capital items, was \$673,097 (year ended December 31, 2008: \$693,968). The Company expects that operating cash outflow in 2010 will be slightly higher than in 2009.

Financing Activities

There were no financing activities in the year ended December 31, 2009.

In the year ended December 31, 2008 the Company completed a private placement of 7,940,000 units at a price of Cdn\$1.50 per unit for gross proceeds of Cdn\$11,910,000 (\$11,755,996). Each unit consisted of one common share and a one half share purchase warrant, each full warrant exercisable at a price of Cdn\$2.00 to purchase one additional common share until expiry on June 26, 2010. Agents' warrants to purchase 394,449 common shares of the Company at a price of Cdn\$1.75 per share having a fair value of \$162,757 were issued as part of the private placement. Total share issue costs of \$860,007 were incurred resulting in net proceeds of \$10,895,989 from the private placement of which the share purchase warrants were assigned a fair value of \$1,420,195.

The Company also received proceeds of \$674,816 from the exercise of stock options during 2008.

Investing Activities

The mineral property additions summarized in the following table represent costs incurred, not necessarily cash spent, on mineral property expenditures during the most recently completed financial year.

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	Balance at December 31, 2008	Additions	Balance at December 31, 2009
PERU			
Cañariaco Property			
Acquisition costs	\$ 308,175	\$ 38,488	\$ 346,663
Exploration costs			
Assays	1,756,408	33,960	1,790,368
Camp, field supplies & travel	7,148,953	36,778	7,185,731
Drilling	9,032,894	-	9,032,894
Equipment maintenance & rental	869,989	9,996	879,985
Engineering studies	3,264,457	16,778	3,281,235
Field support & personnel	5,298,687	196,961	5,495,648
Geological and geophysical	2,484,829	105,848	2,590,677
Mapping	263,586	39	263,625
	30,427,978	438,848	30,866,826
Other Peruvian Properties			
Acquisition costs	2,039,974	299,392	2,339,366
Exploration costs			
Assays	234,905	666	235,571
Camp, field supplies & travel	653,310	-	653,310
Drilling	700,417	-	700,417
Equipment maintenance & rental	304,373	-	304,373
Field support & personnel	2,024,498	67,724	2,092,222
Geological and geophysical	1,780,695	90,783	1,871,478
Mapping	139,154	-	139,154
Property option payments received	(1,980,153)	-	(1,980,153)
Write-down of mineral properties	(25,000)	(238,051)	(263,051)
Transfer of properties	-	(4,663,250)	(4,663,250)
	5,872,173	(4,442,736)	1,429,437
Value Added Tax Credits	3,571,241	236,156	3,807,397
Total for Peru	39,871,392	(3,767,732)	36,103,660
MEXICO			
El Oro Properties			
Acquisition costs	292,173	35,444	327,617
Exploration costs			
Assays	34,267	-	34,267
Drilling	331,635	-	331,635
Equipment maintenance & rental	35,184	826	36,010
Field supplies & travel	23,855	287	24,142
Field support & personnel	101,458	10,488	111,946
Geological and geophysical	220,166	12,266	232,432
Mapping	8,689	-	8,689
Transfer of properties	-	(1,106,738)	(1,106,738)
Total for Mexico	1,047,427	(1,047,427)	-
Total of Mineral Properties	\$ 40,918,819	\$ (4,815,159)	\$ 36,103,660

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The Company spent cash resources of \$373,324 and \$1,468,856 respectively for acquisition and exploration costs during the year. The Company also recorded an increase of \$61,458 on its gold bullion investments, made payments of \$540 for the purchase of equipment in Peru and Canada and paid \$236,156 for VAT in Peru. The VAT in Peru is not currently refundable to the Company, but can be used in the future to offset amounts due to the Peruvian taxation authorities by the Company resulting from VAT charged to clients on future sales. The aggregate of these investment activities during the year ended December 31, 2009 totaled \$2,074,257 (year ended December 31, 2008: \$14,929,759). Investing activities in 2010 will be substantially higher than in 2009.

SUMMARY OF CONTRACTUAL OBLIGATIONS

The Company has commitments relating to the lease of office, warehouse and accommodation facilities in Vancouver and Lima. 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	\$ 110,419	\$ 110,419	-	-	-

TRANSACTIONS WITH RELATED PARTIES

During 2009, a total of \$91,994 (2008: \$78,748) for geological consulting services rendered was paid or accrued to a private company associated with a director and officer, to an individual director and to an officer of the Company. These amounts are included as a component of exploration costs.

During 2009, \$142,940 (2008: \$275,869) was paid as salaries to various officers of the Company; \$65,872 (2008: \$199,781) was paid or accrued to private companies associated with officers and to a director of the Company for management services rendered; \$3,455 (2008: \$5,656) was paid or accrued to an accounting firm of which a former director and officer is a partner for tax and regulatory filing services and \$nil was paid or accrued for directors' fees (2008: \$59,061). These amounts are included in general and administrative expenses.

Included in accounts receivable at December 31, 2009 is \$2,455 (2008: \$1,950) owed to the Company by certain officers for expense advances. Included in accounts payable and accrued liabilities at December 31, 2009 is \$68,975 (2008: \$207,264) owed by the Company to certain officers and directors of the Company for services rendered, reimbursement of expenses and directors' fees.

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

At December 31, 2009, a director and officer and three officers of the Company acted as a director and officer and as officers of Candente Gold (Note 7). During the year ended December 31, 2009, the Company and Candente Gold shared certain office and administrative expenses and the Company made certain payments on behalf of Candente Gold. As of December 31, 2009, a total of \$278,835 was due from Candente Gold to the Company for reimbursement of expenses (\$241,240 for reimbursement of acquisition costs incurred for the Peruvian silver-gold properties transferred to Candente Gold and \$37,595 for reimbursement of shared general and administrative expenses).

FOURTH QUARTER

In the quarter ended December 31, 2009 ("Q4-2009") the Company posted a loss of \$298,778, or \$nil per share. The main expense during the quarter was stock-based compensation of \$267,745. Other items included a gain on foreign exchange of \$127,035, management and office salaries and benefits of \$46,190, audit and accounting fees of \$39,701 and regulatory and filing fees of \$20,160. A summary of general and administrative expenses incurred on a quarterly basis in 2009 is presented below:

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	Q1-2009	Q2-2009	Q3-2009	Q4-2009
	\$	\$	\$	\$
Amortization	7,489	7,957	7,420	7,421
Audit and accounting	47,566	46,552	3,364	39,701
Bank charges and interest	2,659	3,299	1,100	1,236
Consulting	-	16,340	-	-
Corporate development	9,654	7,702	8,182	8,508
Legal	7,800	25,912	8,866	9,674
Management and office salaries and benefits	89,638	57,709	42,713	46,190
Office, rent and miscellaneous	40,330	33,651	26,455	30,004
Travel and accommodations	10,114	3,744	96	6,818
Regulatory and filing fees	26,162	9,557	13,241	20,160
Shareholder communications	4,848	15,638	6,773	3,183
Stock-based compensation	89,994	46,129	687,423	267,475
Interest and other income	(18,966)	(4,059)	(24,120)	(29,400)
Write-down of mineral properties	-	-	223,208	14,843
Loss (gain) on foreign exchange	78,206	(450,014)	(170,731)	(127,035)
Net earnings (loss)	(395,494)	179,883	(833,990)	(298,778)

With respect to mineral property activity in Q4-2010, the Company recorded a transfer of properties of \$4,663,250 (in respect of the transfer of its Peruvian silver gold properties to Candente Gold), exploration costs of \$154,858, a write-down of mineral properties of \$14,843 and an increase to VAT credits of \$86,339.

CONTINGENCIES

During 2008 a claim was filed against Exploraciones Milenio S.A. ("Milenio"), a fully owned Peruvian subsidiary, for alleged breach of contract with respect to a contract for the lease of offices in Lima, Peru with option to purchase. In August 2009 amounts equivalent to \$36,191 were garnished from Milenio's bank accounts pursuant to a court order. The Company has retained legal counsel in Peru to respond to this claim, and as at December 31, 2009 has recorded a charge of \$36,116 in connection with the claim. Liens on three of the Company's vehicles in Peru were also put in place in connection with this claim.

SUBSEQUENT EVENTS

- a) On January 6, 2010, the Company and Candente Gold implemented the final steps of the Arrangement which included the issuance of 13,500,000 shares of Candente Gold to the Company for the transfer of the Company's Peruvian silver-gold properties and the distribution by the Company as a return of capital of a total of 16,213,627 of the Company's shares to its shareholders, on the basis of one Candente Gold share distributed for every five shares of the Company held by each shareholder.
- a) On March 9, 2010, the Company announced the closing of a private placement (the "Offering") of 12,938,011 units ("Units") and 4,856,185 special warrants ("Special Warrants"), for gross proceeds of Cdn\$6,227,969. The Units and Special Warrants were sold for a price of Cdn\$0.35 each. Each Unit consisted of one common share in the capital of the Company ("Share") and one half of one share purchase warrant ("Warrant"). Each whole Warrant is exercisable for the 3 year period from the date of closing to purchase one Share at a price of Cdn\$0.50 per Share. Each Special Warrant will be automatically converted into one Unit at no additional cost to the holder providing shareholder approval for the sale of the Special Warrants is obtained at the Company's annual general meeting, scheduled for May 13, 2010, or at any adjournment of such meeting. The Cdn\$1,699,665 in gross proceeds from the sale of the Special Warrants has been deposited into escrow to be held in trust pending shareholder approval. On the first business day following receipt of shareholder approval, each Special Warrant will automatically be converted into one Unit. If shareholder approval is not obtained, all of the funds held in escrow will be returned to the subscribers. The Special Warrants, the Shares and Warrants comprising the Units, and the Shares issuable

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upon exercise of the Warrants, are all subject to the same four-month hold period (ending on July 10, 2010) applicable under Canadian securities law. In connection with this offering, the Company paid a 6% cash commission and issued 661,876 broker/finder warrants ("Broker Warrants") and 242,602 special broker/finder warrants ("Special Broker Warrants") on all of the brokered portions of the offering and on part of the non-brokered portion of the offering. Each Broker Warrant is exercisable for a period of 36 months from closing to purchase one share at a price of Cdn\$0.45 per share. Each of the Special Broker Warrants will automatically be converted into one Broker Warrant upon receipt of shareholder approval, and will expire if shareholder approval is not obtained.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are summarized in Note 2 of its Audited Consolidated Financial Statements. The preparation of the Company's financial statements in conformity with generally accepted accounting principles in Canada requires management to make judgments with respect to certain estimates and assumptions. These estimates and assumptions, based on management's best judgment, affect the reported amounts of certain assets and liabilities, including disclosure of contingent liabilities. On an ongoing basis, management re-evaluates its estimates and assumptions. Actual amounts, however, could differ significantly from those based on such estimates and assumptions.

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

Impairment of Long-Lived Assets

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

The Company's long-lived assets consist of equipment and mineral properties. Equipment is recorded at cost and depreciated on a declining-balance basis at rates from 20% to 30%. Expenditures relating to mineral properties are capitalized at cost, less recoveries in the pre-production stage, until such time these properties are put into commercial production, sold or abandoned. Upon commencement of production, capitalized mineral property expenditures will be charged to the results of operations over the estimated life of the mine in accordance with the unit-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 expenditures, these factors include analysis of exploration results, permitting considerations and current economics. Should an impairment be determined, 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.

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CHANGES IN ACCOUNTING POLICIES, INCLUDING INITIAL ADOPTION

Accounting Changes

Effective January 1, 2009 the Company adopted the following new accounting standards:

Goodwill and intangible assets

In February 2008, the CICA issued Handbook section 3064 "Goodwill and intangible assets" which is required to be adopted for fiscal year-ends beginning on or after October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of Goodwill subsequent to its initial recognition and of intangible assets by profit orientated enterprises. The adoption of this new section did not have any material impact on the Company's financial statements.

Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued Emerging Issues Committee Abstracts ("EIC") 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this EIC did not have a significant effect on the financial statements.

Financial Instruments - Disclosures

The CICA amended Section 3862, "Financial Instruments – Disclosures," in 2009 to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosures. Adoption of this standard did not have a significant effect on the financial statements.

Accounting Pronouncements

Business combination, Consolidated Financial Statements and Non-controlling interest

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") IMPLEMENTATION PLAN

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

The Company has initiated its IFRS convergence project and has set the following timing objectives: to be in a position to convert its December 31, 2009 Canadian GAAP Balance Sheet to IFRS in Q2-2010, to produce financial statements under Canadian GAAP and IFRS in 2010 in order for the Company to disclose to users of its financial statements the quantitative differences arising in 2010 under both frameworks, and to produce IFRS financial statements as of January 1, 2011.

In order to meet these objectives the Company's CFO has attended IFRS courses and in-house training sessions in 2008 and 2009. Peruvian accountants are also familiar with IFRS.

The Company has identified that the adoption of IFRS will not represent a material change to its financial statements, but will entail significant additional disclosure requirements. The Company will be able to continue using its current information technology platforms in Canada and Peru.

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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.

During the year ended December 31, 2009, 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.

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 December 31, 2009.

The Company was in the process of completing its implementation of ICFR in 2008, which considered segregation of duties for the Company's finance departments in Vancouver and Lima. This process was interrupted in Q4-2008 when the Company significantly reduced personnel, including finance staff. Management has concluded that, as December 31, 2009, the Company's ICFR was not effective due to the existence of material weaknesses, including the requirement to review and amend the original design of ICFR to accommodate for reduced staff levels and operations, the requirement to test effectiveness of ICFR under a design that is appropriate to the Company's size and operations and lack of adequate segregation of duties in the financial close process. Due to the 2008/2009 worldwide economic crisis, the Company was forced to substantially reduce staffing levels, including in its finance department. As of December 31, 2009, the Company's Chief Financial Officer is responsible for preparing, authorizing and reviewing information that is key to the preparation of financial reports. She is also responsible for preparing and reviewing the resulting financial reports. This weakness 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 redesigning ICFR to accommodate for the Company's current level of operations; the Company will also need to test the effectiveness of 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.

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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.

Limited Operating History

The Company has limited operating history. The Company is exploring its mineral properties for base 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 has incurred net losses every year since inception, and as of December 31, 2009 had accumulated losses of \$17,692,861. 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.

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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

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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.

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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 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 base 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 March 30, 2010, Candente has outstanding 94,026,138 common shares, 16,594,117 warrants and special warrants (at prices ranging from Cdn\$0.45 to \$2.00 per share) and 5,928,750 exercisable options (at prices ranging from Cdn\$0.33 to Cdn\$2.05 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, and does not 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

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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. Therefore, 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 criteria, the success in completing further financing and closing on any target acquisitions, currency fluctuations, the ability of the Company to conduct its business in Peru, risks inherent with the mining industry, unexpected regulatory changes, delays in the completion of critical activities and other risks inherent to the Company's activities and other risks more fully described in Candente Copper's Annual Information Form filed with the Securities Commissions of the provinces of Alberta, British Columbia and Ontario which is available on SEDAR at www.sedar.com