

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**DESCRIPTION OF BUSINESS**

Canada Gold Corporation (Formerly MetalQuest Minerals Inc.) (the "Company") is engaged in the business of resource development by establishing modern mineral processing facilities that will service active small scale gold mining regions in developing countries. On August 17, 2009, the Company acquired 50% equity interest in Canadian Ore Processors ("CanOrePro") through a share purchase agreement with CanOrePro shareholders. Through this acquisition, the Company has 50% interest in a proposed mineral processing facility in Northern Peru and other jurisdictions. The Company's operations are primarily funded by equity subscriptions. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol CI.

**SELECTED FINANCIAL INFORMATION**

**Selected Annual Financial Information**

	For the year ended December 31, 2009	For the year ended December 31, 2008	For the year ended December 31, 2007
Total revenue	Nil	Nil	Nil
Gain (Loss) before discontinued operations and extraordinary items:			
(i) total for the year	(\$1,350,776)	(\$290,739)	(\$941,526)
(ii) per share	(\$0.15)	(\$0.03)	(\$0.12)
(iii) per share fully diluted	(\$0.15)	(\$0.03)	(\$0.12)
Net Income or (loss):			
(i) total for the year	(\$1,350,776)	(\$290,739)	(\$941,526)
(ii) per share	(\$0.15)	(\$0.03)	(\$0.12)
(iii) per share fully diluted	(\$0.15)	(\$0.03)	(\$0.12)
Total assets	\$4,576,596	\$2,894,378	\$4,917,685
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

**Selected Quarterly Financial Information**

	4 <sup>th</sup> Quarter Ended December 31, 2009	3 <sup>rd</sup> Quarter Ended September 30, 2009	2 <sup>nd</sup> Quarter Ended June 30, 2009	1 <sup>st</sup> Quarter Ended March 31, 2009
(a) Revenue	Nil	Nil	Nil	Nil
(b) Earnings (loss) for period	(\$874,825)	(\$175,981)	(\$155,982)	(\$143,988)
(c) Earnings (loss) per share	(\$0.09)	(\$0.02)	(\$0.02)	(\$0.02)
	4 <sup>th</sup> Quarter Ended December 31, 2008	3 <sup>rd</sup> Quarter Ended September 30, 2008	2 <sup>nd</sup> Quarter Ended June 30, 2008	1 <sup>st</sup> Quarter Ended March 31, 2008
(a) Revenue	Nil	Nil	Nil	Nil
(b) Earnings (loss) for period	(\$448,460)	(\$86,130)	(\$106,458)	\$350,309
(c) Earnings (loss) per share	(\$0.04)	(\$0.01)	(\$0.01)	(\$0.03)
	4 <sup>th</sup> Quarter Ended December 31, 2007	3 <sup>rd</sup> Quarter Ended September 30, 2007	2 <sup>nd</sup> Quarter Ended June 30, 2007	1 <sup>st</sup> Quarter Ended March 31, 2007
(a) Revenue	Nil	Nil	Nil	Nil
(b) Earnings (loss) for period	(\$1,607,386)	\$899,349	(\$131,352)	(\$102,137)
(c) Earnings (loss) per share	(\$0.17)	\$0.08	(\$0.02)	(\$0.01)

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

**Adopted in fiscal 2009**

- a) On January 1, 2009, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”).
- b) In March 2009, the CICA issued EIC-174, “Mining Exploration Costs.” The EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard was effective for the fiscal year beginning January 1, 2009. The application of this EIC had no effect on the consolidated financial statements.
- c) In January 2009, the CICA issued EIC-173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 1, 2009. The application of this EIC had no material effect on the consolidated financial statements.
- d) The CICA has issued Handbook Section 3064 “Goodwill and Intangible assets” which may affect the financial disclosure and results of the Company. This Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and the Company adopted the requirements on January 1, 2009. Section 3064 establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The application of this EIC had no effect on the consolidated financial statements.
- e) During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”), 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 or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

**Recent accounting pronouncements**

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence (“VSOE”) or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. The Company does not expect that the adoption of this standard will have a material impact on the Company’s financial statements.

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company’s financial statements.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS- Continued**

**Recent accounting pronouncements- Continued**

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In February 2008, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

**SUBSIDIARIES**

**Canadian Ore Processors Corp.**

On August 17, 2009 ("Effective Date"), the Company adopted all resolutions from its June 26, 2009 Annual General and Special Meeting to acquire all of the issued and outstanding voting common shares of Canadian Ore Processors Corp. ("CanOrePro") in exchange for common shares of the Company. Per the June 15, 2009 Share Purchase Agreement (the "Agreement") and later amended on August 17, 2009, the Company issued 1,190,001 common shares with a deemed value of \$0.34 per share in exchange for 2,380,002 CanOrePro voting common shares from its shareholders. The 2,380,002 common shares were later consolidated to 100 voting Class A common shares.

Grafton Resources Investment Ltd. ("Grafton") is a resource based realization fund managed in London, England by Newland Fund Management LLP and listed Irish Stock Exchange, initially owned 15,400,000 common shares of CanOrePro through a share exchange by issuing 231,623 Grafton shares to CanOrePro. The 15,400,000 common shares issued to Grafton were later consolidated to 100 non voting Class B common shares.

Through the share consolidation, the Company and Grafton each have 50% equity interest in CanOrePro. The board of directors of CanOrePro is comprised of three members, with two members nominated by the Company thereby resulting in control of CanOrePro.

CanOrePro holds 100% equity interest in Procesador Canorepro S.A. a private Peruvian based company that is proposing to develop a toll based ore processing facility in Peru.

Per the Agreement, the Company has the option to purchase all of Grafton's Class B common shares of CanOrePro (the "Option"). The Option is exercisable for a period of 36 months with an aggregate value of US\$10,000,000 and shall be payable in cash or shares at the discretion of the Company. If the Company elects to pay the Option price in shares, the deemed value will be based on the 30 day average trading price on the Exchange prior the issue date of such shares. If the 30 day average trading price is lower than US\$0.55 per share, the deemed price of the consideration shall be US\$0.55 per share.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**SUBSIDIARIES- Continued**

**Canadian Ore Processors Corp. - Continued**

The acquisition has been accounted for using the purchase method of accounting and accordingly the Company' consolidated financial statements include the operations of CanOrePro from the Effective Date of the transaction. The consideration is comprised of issuing 1,190,001 common shares with a deemed value of \$0.34 per share for total consideration of \$404,600. The Company also paid \$67,000 in finders fees which consist of \$33,000 in cash and \$34,000 in common shares by issuing 100,000 common shares with a deemed value of \$0.34 per share. The Company paid filing and legal fees of in the amount of \$32,142. Total purchase price of CanOrePro was \$503,742. At the Effective Date, CanOrePro had a negative net asset value of \$218,299, excluding the fair value of the Grafton shares. Since Grafton is a closed end fund and CanOrePro was privately held, the fair value of Grafton shares at the initial share exchange with CanOrePro cannot be determined. Fair value is determined by allocating all excess value of the purchase price to the Grafton shares. Based on this, the fair value of the Grafton shares is estimated to be \$1,225,784 on the Effective Date resulting in no gain or loss from this acquisition.

Total consideration for the business combination was allocated based on estimated fair values on the acquisition date as follows:

	<b>2009</b>
<b>Consideration Given:</b>	
Common shares issued- 1,190,001 common shares	\$ 404,600
Finders fees- 100,000 common shares and cash	67,000
Filing and legal fees	32,142
	<u>503,742</u>
<b>Purchase price allocation</b>	
Current asset	\$ 2,882
Grafton shares	1,225,784
Current liabilities ( <i>Note 4(i)</i> )	<u>(221,181)</u>
Total net asset value	1,007,485
50% of CanOrePro	<u>503,742</u>
<b>Purchase price discrepancy</b>	<b>\$ -</b>

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**RESOURCE PROPERTIES & PROJECTS**

**RHG Project**

The Company holds options to earn 100% interest in the RHG project located in the Liard Mining Division of British Columbia. The RHG project is a 10,964 hectare located in the north central British Columbia porphyry/skarn Copper/Gold prospect located in the prolific Copper belt hosting the Galore Creek/Copper Canyon deposits.

On September 10, 2008, the Company entered into an Option Agreement (the "Option Agreement") with Georgia Ventures Corp. ("Georgia Ventures"), a Canadian private corporation to grant them the option to acquire 65% interest in the RHG property (the "Option"). To exercise the Option, Georgia Ventures paid the Company \$25,000 on signing the Agreement. Georgia Ventures will pay an additional \$350,000, issue 1,000,000 common shares, and expend a minimum of \$3,500,000 on the property based on instalments due when Georgia Ventures obtain listing on the TSX Venture Exchange, and on the first, second and third anniversaries of date of TSX Venture Exchange listing.

If Georgia Ventures exercises the Option, the Company also grants Georgia Ventures an exclusive right to acquire an additional 10% interest in to the RHG Property (the "Additional Option"). This Additional Option requires Georgia Ventures to notify the Company 90 days before exercising the Additional Option and finance all expenditures related to the preparation and delivery of the feasibility report on the RHG Project to the Company.

On September 30, 2008, the Company entered into an assignment agreement with GMV Minerals Inc. ("GMV"), a Canadian reporting issuer with shares listed on the TSX Venture Exchange. Under the terms of the assignment agreement, all costs and benefits granted to Georgia Ventures from the Option Agreement has been assigned to GMV. For the year ended December 31, 2008, the Company recognized an impairment of \$697,946 (2007- \$nil) on the RHG property due to the Option Agreement.

During the year ended December 31, 2009, the Company received 250,000 common shares from GMV as part of instalment payments per the Option Agreement. As at December 31, 2009, GMV defaulted on both cash and stock payments to the Company in addition to committing to minimum expenditure on the property by GMV per the Option Agreement. As a result of the default on the Option Agreement, the Company recognized an impairment on of \$388,409 (2008- \$697,946) on the RHG property resulting in a carrying value of nil.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**RESOURCE PROPERTIES & PROJECTS- Continued**

**Peruvian Mineral Processing Project**

CanOrePro holds 100% equity interest in Procesador Canorepro S.A. ("Processador") a private Peruvian based company that is proposing to develop a mineral based ore processing facility in Northern Peru. During the year ended December 31, 2009, Processador has signed a binding option agreement with a private Peruvian citizen to acquire a 100% interest in the surface rights of a 53 hectare (131 acre) property in the Suyo District, Ayabaca Province, Department of Piura, Peru. This agreement was later cancelled as Processador pursued the acquisition of a property located in the Puerto Eten on the west coast of Northern Peru. As at December 31, 2009, the Processador was in the process of conducting social studies, promoting awareness, and presenting its business plan to the local community of Puerto Eten to acquire approval for the land acquisition.

The land will be the site of the Company's first gold ore processing plant, situated in the heart of the small scale mining activities of northern Peru. The property is adjacent to the paved Pan-American Highway, which provides year-round access. Electrical power is available through the local utility, and water can be obtained from a well-understood, shallow regional aquifer system. By locating the plant close to these small scale mining activities, the Company can become the destination of choice for the miners who, for the most part, lack their own processing facilities. The local miners will benefit considerably once the plant is commissioned, as they currently pay to transport their mined ores to existing toll processing plants located 1,400 km south. The Company is on-track to have the first modern ore processing plant operating in this area, with an initial capacity of 300 t/day. The business plan contains minimal exploration or mining risk as the Peruvian Ministry of Energy and Mines currently estimates there are approximately 6,000-7,000 small scale miners actively working this area of Peru.

**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY**

**Current Economic Conditions:**

During the year ended December 31, 2009, the Company entered into a share purchase agreement with CanOrePro. Through the share purchase agreement with CanOrePro, the Company owns 50% equity interest in Procesador Canorepro S.A. ("Processador"), a wholly owned subsidiary of CanOrePro. Processador is set up for the purpose of developing gold ore processing facilities in Northern Peru. The Company believes this transaction will add value to the Company's future growth and cash flow from operation. The Company is confident that the potential of this project will allow the Company to raise additional financing to fund the project and its working capital. During the year, the Company closed the a two tranche of a private placement and received gross proceeds of \$1,155,000 (2008- nil).

From the disposition of its Mexican Subsidiaries to Animas in 2007, the Company received \$726,386, 1,500,000 escrowed common shares subject to an escrow release schedule, and US\$1,500,000 paid by instalments due on the first, second and third anniversaries of the closing date. As at December 31, 2009, the Company holds 2,392,912 Animas common shares with a fair market value of \$1,542,756 and US\$750,000 in accounts receivable on the balance of instalment payments due in 2010 and 2011.

On April 27, 2009, the Company entered into an Amending Agreement with Animas whereby the Company agreed to extend the due dates and deemed price per share of the remaining instalment payments. The minimum and maximum deemed price per share shall not be lower than \$0.50 or higher than \$1.00, if Animas elects to pay the Company with common shares. As consideration, the Company received an additional 254,454 common shares of Animas with a fair market value of \$94,148 on payment date.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- Continued**

**Current Economic Conditions:- Continued**

During the year ended, the Company sold 583,000 (2008- 49,500) common shares of Animus and received net proceeds of \$435,671 (2008- \$27,172) and recorded capital gain of \$50,655 (2008 – loss \$18,194). This disposition contributed additional cash flow to the Company's working capital. The Company's working capital at December 31, 2009 was \$3,828,460 (2008 - \$1,723,100).

From the business acquisition and corporate restructuring activities made during the year, management is confident that the Company will continue its normal course of business, realize its assets and discharge its day to day operating obligations. The Company's current assets are highly liquid and this provides the Company with flexibility to continue its operation and take advantage of opportunities without the need to acquire additional financing in the near future. Management will continuously monitor its assets and will take appropriate actions to ensure the Company's strategic and short term goals and objectives are met.

**For the Year Ended December 31, 2009 Summary**

For the year ended December 31, 2009, the Company reported operating loss before other items of \$1,096,277 (2008- \$435,073) predominately made up of stock based compensation expense \$201,743 (2008- \$81,406), management fees \$185,011 (2008- \$132,749), rent and office expenses \$149,684 (2008- \$60,732), salaries \$117,439 (2008- nil), consulting fees \$113,546 (2008- \$7,351), accounting and audit fees \$87,693 (\$72,825), travel and promotional expenses \$77,375 (2008- \$16,526), and investor relations \$49,178 (2008- \$18,021). Higher expenses were incurred in all categories compared to the same period last year due to corporate restructuring and the business acquisition of CanOrePro. As a result of the CanOrePro acquisition, the Company paid salaries, expanded its office space, and maintained administrative activities for two additional subsidiaries including CanOrePro and Processor. These activities resulted in higher administrative and operating cost, travel expense, management and other professional fees. The Company also engaged in more investor relations activities to create awareness and promote its new business development.

During the year ended, the Company reported a total net loss of \$1,350,776 (2008- loss \$290,739) resulting in a deficit of \$11,912,115 (2008- \$10,561,379) on December 31, 2009. The net loss was mainly due to a \$1,096,277 (2008- \$435,073) operating loss before other items, write off of the RHG property \$388,409 (2008- \$697,946), and a loss on settlement of amounts receivable from Animas \$126,790 (2008- nil). The Company also recognized interest income \$95,187 (2008- \$103,852) from Animas long term receivable, a gain on disposition of Animas shares \$50,656 (2008- loss \$18,194) and a gain on amendment of the Animas agreement \$94,148 (2008- nil).

The Company's net working capital was \$3,828,460 (2008 - \$1,723,100), made up of \$4,216,489 (2008- \$1,776,788) in current assets and \$388,029 (2008- \$53,688) in current liabilities. Current asset were generally made up of cash \$784,759 (2008- \$284,234), marketable securities of Animas, GMV, and Grafton common shares \$2,782,290 (2008- \$860,782), and amounts receivable from Animas \$510,218 (2008- \$575,562). Current liabilities were accounts payable \$178,709 (2008- \$53,688), most of which were paid subsequent to year end, and a short term loan payable of \$209,320 owed to Grafton by CanOrePro. The principal of this loan will be applied against future disposition of Grafton shares.

As at June 26, 2009, the Company adopted a 10% rolling stock option plan without vesting provisions compared to a 20% fixed plan with vesting provisions. For the year ended, the Company recognized stock based compensation expenses of \$201,743 (2008- \$81,406) by granting 658,889 (2008- 416,667) stock options exercisable at \$0.39 per share expiring January 10, 2011. During the year, 338,889 (2008- 455,556) stock options were cancelled and/or expired. At December 31, 2009, there were 970,000 (2008- 650,000) stock options outstanding with an weighted average exercise price of \$0.39 per share. No options were exercised for the year ended (2008- nil).

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- Continued**

**For the Year Ended December 31, 2009 Summary- Continued**

On March 10, 2009, Animas elected to pay US\$250,000 in common shares to the Company resulting in 637,700 common shares valued at \$191,130. As a result, the Company recorded a loss of \$126,790 (2008- nil). On April 27, 2009, the Company entered into an amending agreement with Animas whereby the Company agreed to extend the deadlines of Animas' remaining instalment payments. As consideration, Animas issued an additional 254,454 common shares with a total value of \$94,148, resulting in recording amendment fees of \$94,148. The receivable balance from instalment payments on December 31, 2009 was US \$750,000, due in 2010 and 2011.

During the year, the Company sold 583,000 (2008- 49,500) common shares of Animas for gross proceeds of \$435,671 (2008- \$27,172) and recognized a gain of \$50,655 (2008- loss \$18,194). The proceeds from disposition contributed to the Company's working capital. At December 31, 2009, the balance of Animas common shares was 2,392,912 and it had a fair market value of \$1,542,756.

On September 18, 2009, the Company closed the first tranche to a non brokered private placement and received gross proceeds of \$270,000 by issuing 818,182 units at \$0.33 per unit. Each unit consist of one common share and one half of one non transferable common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at \$0.50 per share for a one year period from the closing date and \$0.65 per share in the second year from closing date. The Company paid finders fee of \$27,000, resulting in net proceeds of \$243,000 from this private placement.

On November 25, 2009, the Company closed the second tranche to its private placement with similar terms and conditions as those closed on September 18, 2009. The Company issued 2,681,818 common shares at \$0.33 per share and received gross proceeds of \$885,000. The Company paid finders fee of \$70,788 and issued 187,100 agent warrants with a fair value of \$39,765. Each agent warrant entitles the holder to purchase one additional common share at \$0.50 per share during the first year and \$0.65 per share in the second year. Total net proceeds from the both private placements were \$1,057,212 (2008- nil).

**For the Three-Month Period Ended December 31, 2009 Summary**

During the three month ended December 31, 2009, the Company incurred operating loss of \$611,473 (2008- \$122,219). Operating loss consisted of administrative and operating expenses predominately made up of stock based compensation expense \$167,977 (2008- \$17,034), salary expense \$117,439 (2008- nil), management fees \$67,176 (2008- \$82,089), office expense \$55,134 (2008- \$20,717), consulting fees \$52,123 (2008- recovery \$43,807), legal expense \$49,407 (2008- \$9,127), accounting fees \$43,520 (2008- \$37,166), and travel expense \$37,542 (2008- \$2,281). Higher expenses were incurred in all categories compared to the same period last year due to corporate restructuring and the CanOrePro business acquisition. As a result of the CanOrePro business acquisition, the Company paid more salaries, expanded its office space, and maintained administrative activities for two additional subsidiaries including CanOrePro and Processador. These activities resulted in higher administrative and operating cost, travel expense, management and other professional fees. The Company also engaged in more investor relations activities to create awareness and promote its new business development.

During the period, the Company granted 658,889 stock options and recognized stock based compensation expense of \$167,977 (2008- \$17,034). These stock options are exercisable at \$0.39 per share expiring January 10, 2011. No stock options were exercised during the period.

On December 4, 2009, a legal claim was made against CanOrePro by a former employee for wrongful employment termination seeking damages in the approximate amount of \$609,708. CanOrePro holds the position that this claim is invalid and is in the process of filing a Statement of Defence to defend its position.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- Continued**

**For the Three-Month Period Ended December 31, 2009 Summary- Continued**

On November 25, 2009, the Company closed the second tranche to its non brokered private placement by issuing 2,681,818 Units at \$0.33 per share and received gross proceeds of \$885,000. Each Unit consist of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.50 per share during the first year and \$0.65 per share in the second year. The Company paid finders fee of \$70,788 and issued 187,100 agent warrants with a fair value of \$39,765.

Table 2. General and Administrative Expenditures for the Three Months Period Ended December 31, 2009

	December 31, 2009	December 31, 2008
Accounting and audit fees	\$43,250	\$37,166
Assay	14,385	-
Consulting fees	52,123	(43,807)
Interest and bank charges	1,765	138
Investor relations	5,071	3,174
Legal	49,407	9,127
Management fees	67,176	82,089
Office and administrative	55,134	20,717
Salary expense	117,439	-
Stock based compensation	167,977	17,034
Transfer agent, listing and filing fees	10,076	1,487
Travel and promotion	37,542	2,281
<b>Total</b>	<b>\$621,345</b>	<b>\$122,219</b>

**FINANCIAL INSTRUMENTS**

**Transaction Costs**

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions. Purchases and sales of securities are accounted for on the settlement date basis.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**FINANCIAL INSTRUMENTS- Continued**

**Fair Value**

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as of December 31, 2009 as follows:

	Fair Value Measurements Using			Balance as of December 31, 2009 \$	
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$		
	Assets:				
	Cash	784,759	-		-
Marketable Securities	1,556,506	-	-		
<b>Total assets measured at fair value</b>	<b>2,341,265</b>	<b>-</b>	<b>-</b>	<b>2,341,265</b>	

**Interest Rate and Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and long-term receivable. To minimize the credit risk the Company places the cash with high credit quality financial institutions. Management, on an ongoing basis, monitors the financial condition of Animas in order to reduce the default risk.

The Company's long-term receivable is from Animas. Credit risk from long-term receivable encompasses the default risk of Animas. Management does not believe that there is significant credit risk arising from Animas; however, should Animas be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from long-term receivable is equal to their total carrying amounts. The Company is not exposed to interest rate risk on long-term receivable as the amount is fixed.

**Currency Risk**

The Company incurs expenses and expenditures primarily in Canada and is not exposed to risk from changes in foreign currency rates. However, the Company holds the long-term receivable in U.S. dollars that exposes the Company to foreign exchange risks. A significant change in the exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2009, the Company had a long-term receivable of \$750,000 and loan payable of \$200,000 denominated in U.S. dollars.

**CANADA GOLD CORPORATION**  
**(Formerly MetalQuest Minerals Inc.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**FINANCIAL INSTRUMENTS- Continued**

**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 objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. Currently the Company has minimal liabilities and as a result, is not exposed to liquidity risk.

The following table summarizes the Company's contractual maturities for financial liabilities as at December 31, 2009

Payment due by period	Total \$	Less than 1 year \$	1-3 years \$	After 3 years \$
Short term loan (CanOrePro)	209,320	209,320	-	-
	209,320	209,320	-	-

**Market Risk**

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The Company is exposed to market risk in holding its marketable securities, and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

**Sensitivity analysis**

The Company has completed a sensitivity analysis to estimate the impact on net income for the year had a change in foreign exchange rates occurred.

The sensitivity analysis includes the assumption that changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter.

The result of the sensitivity analysis shows a change in +/- 10% in the US dollar exchange rate could have an impact of approximately +/- \$55,000 on the Company's net income.

This result arises primarily because the Company has a long-term receivable and a loan payable balance denominated in US dollars. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from the above.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**SHARE CAPITAL**

**Share Capital**

On August 17, 2009, the Company completed a 3 for 1 share consolidation. At that date, the Company had 24,672,346 common shares issued and outstanding resulting in 8,224,117 common shares outstanding after consolidation. Comparative amounts have been consolidated.

Details are as follows:

	<u>Number</u>	<u>Amount</u>
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Balance - December 31, 2007	8,224,117	12,163,593
Share issuance cost recovery	-	2,250
Balance - December 31, 2008	8,224,117	12,165,843
Shares issued for business acquisition- Canadian Ore Processors	1,290,001	438,600
Shares issued for cash (net of costs) (a) and (b)	3,500,000	1,017,446
Balance- December, 31 2009	13,014,118	\$ 13,621,889
<b>Balance- April 21, 2010</b>	<b>13,014,118</b>	<b>\$ 13,621,889</b>

Details on share capital:

- a) On September 18, 2009, the Company closed the first tranche of a non brokered private placement and received \$270,000 by issuing 818,182 units at \$0.33 per unit. Each unit consist of one common share and one half of one non transferable common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at \$0.50 per share for a one year period and \$0.65 per share in the second year. The Company paid finders fees of \$27,000, resulting in net proceeds of \$243,000 from this private placement.
- b) On November 25, 2009, the Company closed the second tranche of a non brokered private placement and received gross proceeds of \$885,000 and issued 2,681,818 units at \$0.33 per unit. Each unit consist of one common share and one half of one non transferable common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at \$0.50 per share for a one year and \$0.65 per share in the second year. The Company paid finders fee of \$70,788, resulting in net proceeds of \$814,212 from this private placement. The Company also issued 187,100 warrants to the agents with a fair value of \$39,765 recorded as a share issuance cost. Each agent warrant entitles the holder to purchase one additional common share at \$0.50 per share for a one year and \$0.65 per share in the second year.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**Warrants**

Warrant transactions are summarized as follows:

	<b>Number of Warrants</b>	
	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Balance - Beginning of year	-	2,939,949
Issued (Share Capital (a) and (b))	1,937,100	-
Expired	-	(2,939,949)
<b>Balance – December 31, 2009</b>	<b>1,937,100</b>	<b>-</b>
<b>Balance- April 21, 2010</b>	<b>1,937,100</b>	<b>-</b>

**Options**

At the Company's June 26, 2009 Annual General and Special Meeting of the Shareholders, the Company adopted a stock option plan pursuant to which the directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares at the time of the grant. Options granted under the plan are not subject to vesting.

A summary of the Company's outstanding options is as follows:

	<b>December 31, 2009</b>	
	Options Outstanding	Weighted Average Exercise Price
Opening balance	650,000	\$0.54
Granted	658,889	\$0.39
Exercised	-	-
Expired/Cancelled	(338,889)	\$0.19
Balance- December 31, 2009	970,000	\$0.39
Expired/Cancelled	(311,111)	\$0.39
<b>Balance- April 21, 2010</b>	<b>658,889</b>	<b>\$0.89</b>

The Company had the following share purchase options outstanding and exercisable:

	<b>April 21, 2010</b>			
	Quantity Outstanding	Exercisable	Exercise Price	Expiry Date
	658,889	658,889	\$0.39	January 10, 2011
	<b>658,889</b>	<b>658,889</b>		

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**CORPORATE INTERNAL CONTROL**

The Company practices strict internal controls through proper segregation of responsibilities and internal reporting of its personnel. Agreements and commitments that involve cash and/or share capital distribution such as private placements, stock option grant, property, service, and consulting agreements require Board of Directors approval through Directors' Resolutions. The Company's business development budgets are planned and approved by the Company's President & CEO and Board of Directors. All cash distribution requires the Company's Executive Chairman, President & CEO, and/or CFO approval to ensure that all expenses are accurate and aligned with the Company's budget. Approved share capital distribution is executed through treasury orders that requires final approval from the Company's Executive Chairman or President & CEO, and one authorized director or officer. These internal control procedures are established and strictly practiced to ensure the Company's goals and best interest are effectively carried out.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2009 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required.

Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management believes the design is sufficient and appropriate to provide such reasonable assurance.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

The Accounting Standards Board of Canada ("AcSB") plans to converge Canadian GAAP for publicly accountable enterprises with IFRS over a transition period that will end January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profits oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will present its first set of IFRS compliant financial statements for the year ending December 31, 2011. The Company is currently working on its IFRS conversion project which consists of four phases: diagnosis, design and planning, solution development and implementation. The plan addresses the impact of IFRS on accounting policies and implementation decisions, business activities and control activities. The Company plans to complete in a near future the first phase of its IFRS conversion, consisting in a preliminary study of the existing financial information and identifying the main areas where IFRS might have an impact. The IFRS conversion is a major initiative for the Company and all the necessary resources are being allocated to ensure the project's smooth transition. Throughout the 2010 fiscal year, the Company will be reporting on the progress of its IFRS implementation plan in its MD&A.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**CORPORATE ACTIVITIES**

The officers and directors as at the date of this report are as follows:

David McMillan*(1)	Executive Chairman, Audit Committee Member, Compensation Committee Member
Andrew Neale* (1)	President, Chief Executive Officer
Rick Plotzki *	Chief Operating Officer
Harold Forzley*	Secretary, Chairman of the Audit Committee Member, Compensation Committee Member
Ian Klassen*	Audit Committee Member, Chairman of the Compensation Committee Member
Chad McMillan	Vice President of Corporate Communications
Marc Tran	Chief Financial Officer

*\*Director*

*(1) As at March 31, 2010, Andrew Neale resigned as President and CEO but remains as independent Director to the Company. David McMillan has temporarily assumed the position of President and CEO of the Company (see subsequent events).*

**RELATED PARTY TRANSACTIONS**

Related party transactions for the nine month period ended December 31, 2009 are as follows:

- a) During the year, management fees of \$140,625 (2008 - \$132,750) were paid to companies controlled by a director and an officer of the Company. The Company is committed to pay \$11,250 per month to companies controlled by a director and an officer of the Company expiring August 2011.
- b) During the year, consulting fees of \$Nil (2008 - \$1,350) were paid to a company controlled by an officer.
- c) During the year, accounting fees of \$34,000 (2008 - \$22,000) were paid to a company controlled by an officer. The Company is committed to pay \$4,000 per month to a company controlled by an officer for accounting services expiring August 2011.
- d) During the year, the Company paid \$125,231 (2008 - \$64,996) for rent, office, accounting and investor relations expenses to a company controlled by directors and officers of the Company.
- e) During the year, the Company expensed \$199,404 (2008 - \$81,406) of stock-based compensation cost for stock-based compensation options allocated to directors and officers of the Company.
- f) During the year, the Company paid \$nil (2008 - \$4,299) for accounting and investor relations expense to a company with directors in common.
- g) The Company entered into an option agreement with GMV Minerals Inc ("GMV"), a company with a common director. The Company received 250,000 common shares of GMV (2008- nil) and \$nil (2008 - \$25,000) as consideration and reimbursement of \$nil (2008 - \$13,000) for a reclamation bond (Note 7c). Accounting fees of \$Nil (2008 - \$12,000) were also paid to GMV.
- h) As at December 31, 2009, the Company had advanced \$85,282 (2008 - \$40,000) to a company controlled by directors and officer of the Company for future rent and office expenses. The amount is non-interest bearing with no formal terms of repayment.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the consideration established and agreed to by the related parties and are on terms and conditions similar to non-related parties.

**CANADA GOLD CORPORATION**  
(Formerly MetalQuest Minerals Inc.)  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2009

**INVESTOR RELATIONS ACTIVITIES**

Investor relations duties are carried out by directors, officers and employees of the Company as part of their routine duties.

**SUBSEQUENT EVENTS**

On April 13, 2010, the Company announced it has initiated a full pre-investment study in Colombia, South America, through the Company's new wholly owned subsidiary, Canada Gold Colombia S.A.S. The pre-investment study has been contracted to ExploreCol S.A.S. and Fundacion Olof Palme under the direction and supervision of Mr. Ian Park and Sr. Jorge Espinoza. Mr. Park, based in Medellin, is a Canadian who has been actively involved in the metals and petroleum exploration industries in Colombia for the past 20+ years. Mr. Espinoza, based in Bogota, is a Colombian national who has been active as an advisor to the Colombian National Congress regarding the mining industry in Colombia and is a special advisor to the Governors of the Departments of Caldas and Risaralda. Mr. Rick Plotzki, COO of Canada Gold, will be directly involved in all aspects of the study on behalf of Canada Gold and will communicate the ongoing study findings with the Colombia Department of Mines, Ministry of Mines and Energy, who have reviewed and are supportive of the Company's pre-investment study.

The Company, through its subsidiary, Canadian Ore Processors, has reduced its activities in Peru. The Company's plans to establish one or more processing facilities in Peru are being reviewed due to the changing dynamics in the Northern Region. Various factors such as the recent proliferation of small, legal and illegal processing plants in the north has resulted in a change in the ore supply dynamics which has contributed to this reduction in the Company's activities. Land availability, community acceptance and permitting in the north also contributed to the Company's decision. Management will continue to monitor these developments, but in the interim will continue to investigate specific mineral processing opportunities in the country and will continue address the Company's involvement in Peru preceding and after the country wide elections scheduled in October 2010.

The Company also announces the resignation of Mr. Andrew Neale as CEO and President of the Company and its 50% owned subsidiary, Canadian Ore Processors. Mr. Dave McMillan will temporarily assume the position of President and CEO of the Company and Mr. Rick Plotzki will temporarily assume the position of President and CEO of Canadian Ore Processors. Mr. Neale will remain as an independent Director of both companies.

On April 6, 2010, GMV Minerals Inc. officially terminated its September 29, 2008 RGH Option Agreement with the Company. The RHG claims lapsed on April 15, 2010 and the Company has not renewed these claims.

**Canada Gold Corporation**

David McMillan  
President, CEO  
April 21, 2010