

**CANADA GOLD CORPORATION**  
**MANAGEMENT DISCUSSION & ANALYSIS**

For the Year Ended December 31, 2010

**DESCRIPTION OF BUSINESS**

The following management discussion and analysis (“MD&A”) supplements the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2010. It does not form a part of the financial statements and therefore should be read in conjunction with the Financial Statement report for the year ended December 31, 2010 which discusses and analyses the financial condition and results of operations of Canada Gold Corporation (the “Company”).

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. The Company has undertaken and abandoned two projects in South America during the year ended December 31, 2010. The Company currently does not have an active project and is considering other opportunities. 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, 2010	For the year ended December 31, 2009	For the year ended December 31, 2008
Total revenue	Nil	Nil	Nil
Gain (Loss) before discontinued operations and extraordinary items:			
(i) total for the year	(\$1,443,246)	(\$1,482,146)	(\$290,739)
(ii) per share	(\$0.10)	(\$0.15)	(\$0.03)
(iii) per share fully diluted	(\$0.10)	(\$0.15)	(\$0.03)
Net Income or (loss):			
(i) total for the year	(\$1,443,246)	(\$1,482,146)	(\$290,739)
(ii) per share	(\$0.10)	(\$0.15)	(\$0.03)
(iii) per share fully diluted	(\$0.10)	(\$0.15)	(\$0.03)
Total assets	\$1,280,692	\$4,576,596	\$2,894,378
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, 2010	3 <sup>rd</sup> Quarter Ended September 30, 2010	2 <sup>nd</sup> Quarter Ended June 30, 2010	1 <sup>st</sup> Quarter Ended March 31, 2010
(a) Revenue	n/a	Nil	Nil	Nil
(b) Earnings (loss) for period	(\$497,222)	(\$240,057)	(\$350,585)	(\$355,382)
(c) Earnings (loss) per share	(\$0.03)	(\$0.02)	(\$0.03)	(\$0.02)
	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	(\$1,006,195)	(\$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)

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**NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

**Adopted in fiscal 2010**

1. In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.
2. The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The Company has chosen to early adopt Sections 1582, 1601 and 1602 effective January 1, 2010. As a result, non-controlling interests have been presented within shareholders' equity on the balance sheet. The non-controlling interests in loss are no longer added in arriving at consolidated net loss. Consolidated other comprehensive loss and consolidated comprehensive loss have been attributed to equity shareholders of the Company and non-controlling interests. In addition, the increase in ownership interest in CanOrePro is recorded as an equity transaction and no gain or loss was recognized as the Company maintained control of the subsidiary. The provisions of Section 1602 have been applied retrospectively.

**Recent accounting pronouncements**

1. 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.

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**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.

The acquisition has been accounted for using the purchase method of accounting and accordingly the Company's 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.

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**SUBSIDIARIES- Continued**

**Canadian Ore Processors Corp. - Continued**

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> )	(221,181)
Total net asset value	<u>1,007,485</u>
50% of CanOrePro	<u>503,742</u>
<b>Purchase price discrepancy</b>	<b>\$ -</b>

On August 27, 2010, the Company cancelled the Option Agreement with Grafton and returned 231,263 Grafton units to Grafton due to its illiquidity in exchange for 100 non voting Class B common shares of CanOrePro. The 100 Class B common shares representing the other 50% outstanding common shares of CanOrePro were cancelled. In addition, Grafton also cancelled an outstanding US \$200,000 short term non interesting bearing loan owed by CanOrePro. The Company currently owns 100% equity interest of CanOrePro. This transaction resulted in change in ownership but no change in control.

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**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.

On April 6, 2010, GMV officially terminated its Option Agreement and the RHG claims lapsed on April 15, 2010. The Company has not renewed these claims.

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**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. During the year ended 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.

As April 13, 2010, the Company announced it has reduced its activities in Peru due to the changing dynamics in the Northern Region. Various factors such as 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. The difficulty in acquiring land, community acceptance and permitting in the north also contributed to the Company's decision to withdraw from Peru. In addition, the failure to monetize the Grafton units by CanOrePro has negatively impacted the Company's ability to execute the original business plan.

The Company has reviewed numerous opportunities in Peru, Colombia and elsewhere, however, no firm projects have been identified to date. Reviews of potential new opportunities of brown fields and advanced staged projects are ongoing.

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

**Current Economic Conditions:**

Since the acquisition of CanOrePro on August 17, 2009, limited progress has been made to obtain land to carry out the Company's Peruvian Mineral Processing project due to land availability, community acceptance and permitting. In addition, various factors such as the proliferation of small, legal and illegal processing plants in the north have resulted in a change in the ore supply dynamics. As April 13, 2010, the Company announced its plans to reduce and withdraw its activities in Peru. As at June 30, 2010, management has ended existing social and environmental studies, and other ongoing expenses in Peru to conserve cash flow.

On April 13, 2010, the Company announced that 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. This 90-100 day study in the Departments of Caldas and Risaralda and more specifically in the areas of Quinchai, Marmato, Rio Sucia, Supia, La Merced and Filadelfia will involve approximately 19 people with disciplines in geology, social sciences and economics. The study focused on all privately owned mines, small processing plants, miner's associations, municipalities, community leaders, and stakeholder groups in each area. The specific objectives of the study will provide the necessary data such as ore grade, production rates, metallurgical testing, current processing methods and recoveries, and community and miner associations' acceptance of the Company's business plan. Overall, the objective of the study is to identify a suitable location for a modern ore processing facility which can be supported by a surety of ore supply and the partnership of various stakeholders.

On August 27, 2010, the Company announced that the Colombia pre-investment study concluded with mixed results. This study confirmed the Colombian Government's desire through legislation and incentives to assist foreign investment in the small scale mining sector, however, the 6 regions investigated did not produce sufficient ore supply commitments required to financially justify the Company's plan to build a modern mineral processing facility. As a result, the Company discontinued all activities in Columbia.

The Company is currently reviewing its business strategy and other opportunities however no firm projects have been identified to date. Reviews of potential new opportunities of brown fields and advanced staged projects are ongoing.

The Company has sufficient working capital to meet its liabilities and commitments and does not require additional equity financing until a feasible project have been established. The Company's current assets are 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, 2010 Summary**

For the year ended December 31, 2010, the Company reported operating loss before other items of \$946,779 (2009- \$1,096,277) predominately made up of management fees \$170,796 (2009- \$185,011), office and administrative expenses \$165,478 (2009- \$149,684), consulting fees \$136,834 (2009- \$113,546), accounting and audit fees \$104,457 (2009- \$87,693), investor relations \$93,657 (2009- \$49,178), travel and promotion \$93,397 (2009- \$77,375), and stock based compensation cost \$76,691 (2009- \$201,743). Higher expenses were incurred in all categories compared to the same period last year due to activities in Peru and Columbia during the first half of the year. As a result of the CanOrePro acquisition on August 17, 2009, the Company paid salaries, expanded its office space, and maintained administrative activities for two additional subsidiaries including CanOrePro and Processador. The Company also paid a higher portion of its share in rent, office and administrative expenses during the second half of the year due to change in office arrangements. 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.

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

**For the Year Ended December 31, 2010 Summary- Continued**

For the year ended December 31, 2010, the Company reported a total net loss of \$1,443,246 (2009- \$1,482,146) resulting in a deficit of \$13,559,833 (2009- \$11,912,155) as at December 31, 2010. The Company's portion of total net loss for the year was \$1,262,023 (2009- \$1,350,776) and \$181,223 (2009- \$131,370) was allocated to non controlling interest. The Company recognized a loss of \$267,681 (2009- \$126,790) for accounts receivable from Animas. During the year Animas elected to pay US\$500,000 by issuing common shares with a minimum deemed price of \$0.50 per share whereas the fair value at the time of conversion was less than \$0.50 per share. The Company wrote off \$161,285 (2009- \$nil) of capitalized expenses for activities that were conducted in Peru and Columbia during the year. The Company also recorded a loss of \$58,592 (2009- gain \$50,656) from the disposition of marketable securities resulting from the sale of 1,412,500 Animas shares for net proceeds of \$636,145. The Company recognized non cash loss of \$48,102 (2009- \$110,661) on foreign exchange and a non cash gain of \$39,193 (2009- \$95,187) on interest income from Animas' long term receivables.

On July 22, 2010, the Company received 744,101 common shares of Canada Rare Earths Inc. a TSX-V company with a deemed value of \$111,615 as a payment against advances the Company previously made to a company controlled by directors and officers of the Company for rent and office expenses. Prior to this debt settlement, the Company advanced \$162,970 (2009 - \$40,000). The outstanding advance balance to related party at December 31, 2010 is \$15,306.

For receivables due on January 31 and July 10, 2010, Animas elected to pay the Company these receivables in common shares by issuing 408,697 common shares valued at \$216,609 for the January 31, 2010 receivable and 514,150 common shares valued at \$159,387 for the July 10, 2010 receivable. As at December 31, 2010, a US \$250,000 receivable remains outstanding and due on January 31, 2011. Included in the Company's marketable securities portfolio is 1,903,259 common share of Animus which has a fair value of \$570,978. All shares have been released from escrow. The Company also have 125,000 common shares of GMV Minerals Inc. with a fair market value of \$82,500 and 744,101 common shares of Canada Rare Earths Inc. which has a fair market value of \$96,734. Total fair market value of marketable securities held by the Company as at December 31, 2010 was \$750,212 (2009- \$2,782,290).

On August 27, 2010, the Company cancelled the Option Agreement with Grafton and returned 231,263 Grafton units to Grafton due to its illiquidity in exchange for 100 non voting Class B common shares of CanOrePro. The 100 Class B common shares representing the other 50% outstanding common shares of CanOrePro were cancelled. The Company currently owns 100% equity interest of CanOrePro. This transaction resulted in change in ownership but no change in control. In addition, Grafton also cancelled an outstanding US \$200,000 short term non interesting bearing loan owed by CanOrePro. Outstanding short term loan at December 31, 2010 is \$nil (2009- \$209,320).

During the year, the Company granted 838,889, two year stock based compensation options to directors, officers and consultants with an exercise price of \$0.11 per share. The Company also granted 50,000, two year stock compensation options to Falcon Point Capital Partners as part of an investor relations agreement with an exercise price of \$0.15 per share. Total stock-based compensation cost for the year was \$76,691 (2009- \$201,743).

As at December 31, 2010, the Company has net working capital of \$1,214,447 (2009- \$3,828,460) made up of \$1,265,386 (2009- \$4,216,489) in current assets and \$50,939 (2009- \$388,029) in current liabilities. Current asset is comprised of cash \$291,332 (2009- \$784,759), amounts receivable \$22,613 (2009- \$33,309), marketable securities of Animas, GMV, and Canada Rare Earths Inc. common shares \$750,212 (2009- \$2,782,290), current amounts receivable from Animas \$149,105 (2009- \$510,218), and prepaid expenses \$52,124 (2009- \$105,913). Current liabilities includes accounts payable \$50,939 (2009- \$178,709).

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**For the Three Month Period Ended December 31, 2010 Summary**

For the three month period ended December 31, 2010, the Company incurred an operating loss of \$79,223 (2009- \$611,473). The operating loss consisted of management fees \$69,546 (2009- \$67,176), rent, office and administration expense \$51,227 (2009- \$55,134), stock based compensation expense \$33,466 (2009- \$167,977), and accounting fees \$25,051 (2009- \$43,520). Operating loss for the three months ended was materially less than the same period of the previous year due to no activities in Peru and Columbia.

During the period, the Company wrote off \$161,285 (2009- \$nil) for capitalized expenses and receivables recorded during the year for activities in Peru and Columbia. The Company also recognized a loss of \$267,681 (2009- \$126,790) in accounts receivable from Animas. During the year, Animus elected to pay US\$500,000 by issuing common shares with a minimum deemed price of \$0.50 per share whereas the fair value at the time of conversion was less than \$0.50 per share. Total net loss for the period was \$497,222 (2009- \$1,006,195).

Table 2. General and Administrative Expenditures for the Three Months Period Ended December 31, 2010.

	December 31, 2010	December 31, 2009
Accounting and audit fees	25,051	43,520
Assay	(537)	14,385
Consulting fees	(42,909)	52,123
Interest and bank charges	1,945	1,765
Investor relations	13,531	(5,071)
Legal	4,460	49,407
Management fees	69,546	67,176
Office and administrative	51,227	55,134
Salaries	(90,117)	117,439
Stock based compensation cost	33,466	167,977
Transfer agent, listing and filing fees	1,213	10,076
Travel and promotion	12,347	37,542
<b>Total</b>	<b>\$ 79,223</b>	<b>\$ 611,473</b>

**CONTINGENT LIABILITIES**

1. A legal proceeding was brought against the Company's subsidiary CanOrePro on December 4, 2009 by a former employee for wrongful employment termination seeking damages in the approximate amount of \$609,708. CanOrePro holds the position that the former employee is not entitled to any severance or compensation.
2. During the year, the Company was informed by its legal counsel that the claimant has filed for bankruptcy. The claimant's assets and rights for legal claim have been vested in the Trustee of Bankruptcy until such time when the Trustee is discharged on the claimant's estate which will not occur until late 2011. Until the Trustee is discharged from the claimant's estate, creditors have the right to take further action on this claim. The Company is currently seeking to obtain a Notice of Discontinuance from the Trustee.

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**FINANCIAL INSTRUMENTS**

**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, 2010 as follows:

	Fair Value Measurements Using			Balance as of Dec 31, 2010 \$	
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$		
	Assets:				
	Cash	291,332	–		–
Marketable Securities	750,212	–	–		
<b>Total assets measured at fair value</b>	<b>1,041,544</b>	<b>–</b>	<b>–</b>	<b>1,041,544</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, 2010, the Company had a short-term receivable from Animas of US\$250,000 this was received subsequent to year end.

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**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.

**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 derivative liability, 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 +/- \$25,000 on the Company's net income.

This result arises primarily because the Company has a long-term receivable 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.

**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.

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**OUTSTANDING SHARE CAPITAL**

As at April 13, 2011, there were 13,014,118 common shares outstanding. In addition, there were 1,297,778 stock options outstanding with exercise price ranging between \$0.11 and \$0.39 per share, and 1,937,100 warrants outstanding with an exercise price of \$0.65 per share. More information on these instruments and terms of their conversion are set out in the Equity note to our December 31, 2010 Consolidated Financial Statements.

**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 grants, 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, 2010 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 identified and reviewed the following three main areas where changes may have a material impact on its financial accounting including stock based compensation expense, accounting for mining assets and impairment, and cumulative foreign currency translation differences.

**CANADA GOLD CORPORATION**  
**MANAGEMENT DISCUSSION & ANALYSIS**

For the Year Ended December 31, 2010

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) - Continued**

The Results of a review of impact of IFRS on the Company’s consolidated financial statements and other areas of the Company are as follows:

1. Share-based Payment: As a first time adopter, the Company may elect to not apply IFRS 2 retrospectively to equity instruments that were granted on or before November 7, 2002 and is also not required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that vested before date of transition to IFRS (January 1, 2010). The Company concluded that no material change is to be expected of stock-based expenses under IFRS.
2. Accounting for mining assets and impairment: IFRS 6 applies to the Company’s mining assets. The Company’s current accounting policy of “full cost” method is permitted. IFRS 6 requires the Company to assess its mining assets for impairment when facts and circumstances suggest that carrying amount exceeds its recoverable amount. Only then is an impairment test required to be performed in accordance with IAS 36. The Company concluded that no significant changes are expected to the accounting of the Company’s mining assets.
3. Accounting for cumulative translation differences: A first time adopter is exempted from the transfer of cumulative translation differences that existed on the date of transition to IFRS. If it uses this exemption, the cumulative translation difference for all foreign operations would be deemed to be zero at the date of transition to IFRS and the gain or loss on subsequent disposal of any foreign operation should exclude translation differences that arose before the date of transition to IFRS but should include all subsequent translation differences. The Company concluded that any cumulative translation difference that exists on January 1, 2010 will be eliminated and retained earnings will be adjusted by the same amount.

The adoption date of January 1, 2011, will require restatement for comparative purposes of amounts reported by the Company for the interim period ended March 31, 2010, June 30, 2010, and September 30, 2010 as well as the year ended December 31, 2010.

**CANADA GOLD CORPORATION**  
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For the Year Ended December 31, 2010

**CORPORATE ACTIVITIES**

On August 27, 2010, the Company announced the resignation of Mr. Rick Plotzki as COO effective August 31, 2010. Mr. Plotzki will remain as an Independent Director of the company. Additionally, Mr. Marc Tran, CFO, has tendered his resignation effective August 31, 2010. Mr. Tran will continue to provide accounting services to the company on a contractual basis for the foreseeable future.

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

David McMillan*	President & CEO, Executive Chairman, Audit Committee Member, Compensation Committee Member
Al Fabbro *	Audit Committee Member, Compensation Committee Member
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
Rick Plotzki	Independent Director
Kelsey Chin	CFO

*\*Director*

**RELATED PARTY TRANSACTIONS**

Related party transactions not disclosed elsewhere in these consolidated financial statements, are as follows:

- a) During the year, management fees of \$135,000 (2009 - \$140,625) were paid to companies controlled by a director and by an officer of the Company. The Company is committed to pay \$11,250 per month to companies controlled by a director and by an officer of the Company expiring August 2011.
- b) During the year, the Company paid \$65,931 (2009 - \$125,231) for rent, office, accounting and investor relations expenses to a company controlled by a director and by an officer of the Company.
- c) During the year, the Company expensed \$59,839 (2009 - \$199,404) of stock-based compensation cost for stock-based compensation options allocated to directors and officers of the Company.
- d) During the year, accounting fees of \$36,225 (2009 - \$34,000) were paid to a company controlled by the former CFO.

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.

As at December 31, 2010, the Company had advanced \$15,306 (2009 - \$85,282) 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.

**CANADA GOLD CORPORATION**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2010

**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**

- a) On January 10, 2011, the Company sold 700,000 common shares of Canada Rare Earths Inc. (formerly known as Canada Gas Corp.) for gross proceeds of \$105,000.
- b) Subsequent to year-end, the Company received 499,251 common shares to settle the US\$250,000 instalment as described in note 7a.

**CAUTIONARY STATEMENT RISKS AND UNCERTAINTIES**

This MD&A may contain “forward looking statement” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate”, and similar expressions are intended to identify forward-looking statements, which by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied, by these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, unfavorable feasibility studies, fluctuations in the market valuation for the minerals, difficulties in obtaining required approvals for the development of a mine and other factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this MD&A or as the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company does not intend, and does not assume any obligation to update these forward looking statements.

**Canada Gold Corporation**

David McMillan  
President, CEO  
April 13, 2011