

CANADA GOLD CORPORATION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2011**

(Unaudited)

Notice of No Auditor Review of Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

November 14, 2011

Canada Gold Corporation
Consolidated Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	September 30, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current			
Cash	\$ 161,536	\$ 291,332	\$ 784,759
Marketable securities <i>(Note 5)</i>	400,762	750,212	2,782,290
Amounts receivable	11,112	22,613	33,309
Current portion of long-term receivable	-	149,105	510,218
Prepaid expenses	1,063	52,124	105,913
	574,473	1,265,386	4,216,489
Long-term receivable	-	-	235,634
Exploration and Evaluation Assets <i>(Note 6)</i>	86,219		
Advance to related party <i>(Note 8)</i>	-	15,306	85,282
Construction in progress	-	-	39,191
	\$ 660,692	\$ 1,280,692	\$ 4,576,596
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 5,608	\$ 50,939	\$ 178,709
Short-term loan	-	-	209,320
	5,608	50,939	388,029
EQUITY			
Share capital <i>(Note 7)</i>	13,187,040	13,183,290	13,621,890
Share compensation reserve	1,782,043	1,777,887	1,701,196
Accumulated other comprehensive income (loss)	(312,138)	(171,591)	405,264
Deficit	(14,001,861)	(13,559,833)	(11,912,155)
Shareholders' equity	655,084	1,229,753	3,816,195
Non-controlling interest	-	-	372,372
	\$ 660,692	\$ 1,280,692	\$ 4,576,596

NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS *(Note 1)*
SUBSEQUENT EVENTS *(Note 12)*

Approved on Behalf of the Board:

"David McMillan"

David McMillan, Director

"Kelsey Chin"

Kelsey Chin, Chief Financial
Officer

Canada Gold Corporation
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)
For the periods ended September 30, 2011 and 2010

	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010	3 Months Ended September 30, 2011	3 Months Ended September 30, 2010
Expenses				
Accounting and audit fees	\$ 51,452	79,406	\$ 13,200	\$ 21,450
Assay	-	537	-	-
Consulting fees	32,987	179,743	10,890	20,712
Interest and bank charges	1,750	3,173	638	524
Investor relations	29,012	80,126	8,616	18,154
Legal	13,491	44,369	6,114	23,440
Management fees (Note 8)	106,500	101,250	36,000	33,750
Office, rent and administrative	54,556	114,251	26,919	34,738
Salaries	-	125,364	-	17,267
Stock-based payments	-	43,225	-	43,225
Transfer agent, listing and filing fees	13,908	15,062	2,637	1,817
Travel and promotion	4,444	81,050	358	20,296
Loss before other items	308,100	867,556	105,372	235,373
Other Items				
Interest income	(1,491)	(46,940)	-	(8,168)
Loss (gain) on foreign exchange	3,691	13,457	138	12,852
Loss (gain) on disposition of marketable securities	126,822	111,951	99,697	-
Loss for the period before non-controlling interest	437,122	946,024	205,207	240,057
Non-controlling Interest	-	(113,261)	-	(11,783)
Net loss for the period	437,122	832,763	205,207	228,274
Net loss attributed to:				
Shareholders of Canada Gold Corporation	437,122	719,412	205,207	216,491
Non-controlling interest	-	113,261	-	11,783
	437,122	832,763	205,207	228,274
Unrealized loss on available-for-sale investments	4,906	-	-	-
Net loss and comprehensive loss on available-for-sale investments	442,028	832,763	205,207	228,274
Deficit - beginning of period	13,559,833	11,912,155	13,796,654	12,516,644
Deficit - end of period	\$ 14,001,861	\$ 12,744,918	\$ 14,001,861	\$ 12,744,918
Weighted average number of shares outstanding	13,015,145	13,014,118	13,015,145	13,014,118
Net loss per share - basic and diluted	\$ 0.03	\$ 0.06	\$ 0.02	\$ 0.02

- See accompanying notes to the consolidated financial statements -

Canada Gold Corporation
Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian Dollars)
For the periods ended September 30, 2011 and 2010

	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010	3 Months Ended September 30, 2011	3 Months Ended September 30, 2010
Cash resources provided by (used in)				
Operating activities				
Net loss for the period	\$ (437,122)	\$ (832,763)	\$ (205,207)	\$ (228,274)
Items not affected by cash				
Stock-based compensation	4,156	43,225	-	43,225
Loss (gain) on disposition of marketable securities	126,822	111,951	99,697	-
Interest income on loans and receivables	(1,491)	(45,655)	-	(8,168)
Unrealized foreign exchange loss (gain)	5,900	13,457	-	13,569
Non-controlling Interest	-	(113,261)	-	(11,783)
Changes in non-cash working capital balances:				
Amounts receivable	11,501	(20,432)	10,587	19,398
Prepaid expenses	51,061	77,424	28,114	23,083
Accounts payable and accrued liabilities	(45,331)	(67,444)	(4,392)	25,802
	(284,504)	(833,498)	(71,201)	(123,148)
Investing activities				
Cash paid for asset acquisition	(86,219)	-	(10,180)	-
Cash paid for construction in progress	-	(81,863)	-	-
Cash from disposition of marketable securities	221,872	470,883	92,232	-
	135,653	389,020	82,052	-
Financing activities				
Shares issued for cash	3,750	-	3,750	-
Advances to related parties (Note 8)	15,306	(77,688)	-	-
	19,056	(77,688)	3,750	-
Net increase (decrease) in cash	(129,796)	(522,166)	14,600	(123,148)
Cash - beginning of period	291,332	784,759	146,936	385,741
Cash - end of period	\$ 161,536	\$ 262,593	\$ 161,536	\$ 262,593

- See accompanying notes to the consolidated financial statements -

Canada Gold Corporation
Consolidated Interim Statements of Equity
(Unaudited – Expressed in Canadian Dollars)
For the periods ended September 30, 2011 and 2010

Common Shares

	Number of Shares	Amount	Share Compensation Reserve	Accumulated Deficit	Other Comprehensive Income (Loss)	Total
Balances December 31, 2009	13,014,118	\$ 13,621,890	1,701,196	(11,912,155)	405,264	\$ 3,816,195
Stock-based payments			43,225			43,225
Change in ownership		(753,753)				(753,753)
Unrealized loss on AFS Investment					(395,006)	(395,006)
Net loss and comprehensive loss				(832,763)		(832,763)
September 30, 2010	13,014,118	\$ 12,868,137	\$ 1,744,421	\$ (12,744,918)	\$ 10,258	\$ 1,877,898
Balances December 31, 2010	13,014,118	\$ 13,183,290	1,777,887	(13,559,833)	(171,591)	1,229,753
Shares issued for cash	25,000	3,750				3,750
Services rendered by IR firm			4,156			4,156
FMV adjustment on securities					(135,641)	(135,641)
Unrealized loss on AFS Investment					(4,906)	(4,906)
Net loss and comprehensive loss				(442,028)		(442,028)
Balances September 30, 2011	13,039,118	\$ 13,187,040	\$ 1,782,043	\$ (14,001,861)	\$ (312,138)	\$ 655,084

- See accompanying notes to the consolidated financial statements -

Canada Gold Corporation
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2011
(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

During the nine months ended September 30, 2011, the Company adjusted its business plan to include exploration projects, entering into an option to acquire a 100% interest in the Sindeni Gold Project, subject to final regulatory approval. On August 17, 2009 the Company changed its name from MetalQuest Minerals Inc. to Canada Gold Corporation. The head office and records office is located at 1500 – 1199 West Hastings Street, Vancouver, BC, V6E 3T5. The Company is listed on the TSX Venture Exchange in Canada, the Frankfurt Stock Exchange in Germany, and OTC Bulletin Board in the United States.

The consolidated interim financial statements (“financial statements”) of the Company is presented in Canadian dollars, which is the functional currency of the parent company and its subsidiaries, unless otherwise indicated.

At the date of the financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

The financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The financial statement does not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. The Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance:

These Interim Financial Statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s third IFRS Interim Financial Statements for part of the period covered by the Company’s first IFRS consolidated annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“Pre-changeover GAAP”).

The Interim Financial Statements were authorized by the audit committee and board of directors of the Company on November 14, 2011.

Canada Gold Corporation
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2011
(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

b) Basis of presentation and measurement:

The Interim Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Interim Financial Statements are in accordance with IFRS and have not been audited.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim financial statements do not include all of the information required for full annual financial statements.

The preparation of these Interim Financial Statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Pre-changeover GAAP. The accounting policies set out below have been applied consistently to all periods presented in these Interim Financial Statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Pre-changeover GAAP to IFRS is explained in Note 3.

c) Basis of consolidation:

The consolidated financial statements of the Company include the following subsidiaries:

Name of subsidiary	Place of incorporation	Percentage ownership
Canadian Ore Processors Corp.	Canada	100%
Procesadora CanOrePro S.A.	Peru	100%
Canada Gold Colombia S.A.S.	Columbia	100%

The Company consolidates the subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies.

All material intercompany transactions and balances are eliminated on consolidation.

d) Marketable securities:

The Company has classified its marketable securities as available-for-sale and therefore carries them at fair market value with the unrealized gain or loss recorded in other comprehensive income. Fair values were determined by reference to published price quotations in an active market as at the date of the statement of financial position. For financial instruments classified as available for sale for which a quoted market price in an active market is unavailable, such instruments will be measured at cost unless impaired.

e) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Canada Gold Corporation
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2011
(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

f) Impairment:

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Decommissioning, restoration and similar liabilities ("Asset retirement obligation"):

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized as its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the income statement.

h) Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Canada Gold Corporation
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2011
(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

i) Stock-based compensation:

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a stock-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to capital stock and the fair value of the options is reclassified from share compensation reserve to capital stock.

The fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

j) Foreign currency translation:

Transactions in foreign currencies are translated to the functional currency at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to the presentation currency using foreign exchange rates prevailing at the date of the statement of financial position and non-monetary assets and liabilities are translated at current rates. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

k) Income taxes:

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Non-monetary transactions:

Transactions in which shares or other non-cash consideration are exchanged for assets or services are measured at the fair value of the assets or services involved.

Canada Gold Corporation
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2011
(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

m) Loss per share:

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

n) Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's advances to related parties, and long-term receivable are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. The Company has classified marketable securities as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

o) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Canada Gold Corporation
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2011
(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

p) Significant accounting estimates and judgments:

The preparation of these Interim Financial Statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include the fair value of financial instruments receivable and marketable securities, future income taxes, evaluating the fair value of exploration and evaluation assets, useful lives of equipment, and stock-based compensation.

q) New standards, amendments and interpretations not yet effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Accounting standards effective January 1, 2012

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Income taxes

In December 2010, the IASB issued an amendment to IAS 12 – *Income taxes* that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Accounting standards anticipated to be effective January 1, 2013

Joint ventures

The IASB issued IFRS 11 – *Joint Arrangements* on May 12, 2011. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The Company is currently evaluating the impact that IFRS 11 is expected to have on its consolidated financial statements.

Canada Gold Corporation
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2011
(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

q) New standards, amendments and interpretations not yet effective - *Continued*:

Consolidation

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Financial instruments

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 9.

Fair-value measurement

IFRS 13, Fair Value Measurement: effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out in a single IFRS a framework for measuring fair value and new required disclosures about fair value measurements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 13.

3. TRANSITION TO IFRS

As stated in note 2, these Interim Financial Statements are for the period covered by the Company's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in note 2 have been applied in preparing the Interim Financial Statements for the period ended September 30, 2011, and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date" and December 31, 2010.

In preparing the Interim Financial Statements, the Company has reviewed the amounts reported previously in financial statements of the Company that were prepared in accordance with Canadian GAAP.

The guidance for first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company is applying the following exemptions on first-time adoption of IFRS:

- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- to apply the requirements of IAS 23, Borrowing Costs, as of the Transition Date.
- to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;

During the conversion process for the first quarter ended March 31, 2011, the Company retained an independent IFRS specialist, and has determined that no adjustments from the transition from Canadian GAAP to IFRS were required.

Canada Gold Corporation
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2011
(Unaudited - Expressed in Canadian Dollars)

4. ACQUISITION

On August 17, 2009 the Company acquired all of the issued and outstanding Class A common shares of Canadian Ore Processors Corp. ("CanOrePro") in exchange for 1,190,001 common shares of the Company. The shares had a fair value of \$404,600.

CanOrePro holds 100% of the equity of Procesador Canorepro S.A. a private Peruvian based company that is in the process of developing and constructing a mineral based ore processing facility in Peru.

Prior to the acquisition of CanOrePro, Grafton Resources Investment Ltd. ("Grafton"), acquired its ownership interest of CanOrePro by issuing 231,623 Grafton units to CanOrePro.

Per the Agreement, the Company had 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 option price of US\$10,000,000 and shall be payable in cash or shares at the discretion of the Company.

The acquisition of CanOrePro was treated as an acquisition of assets rather than a business combination because the acquisition does not meet the definition as outlined in the Canadian Institute of Chartered Accountant Handbook Emerging Issues Committee Abstract 124, "Definition of a Business". The operations of CanOrePro have been included in these consolidated financial statements from the date of acquisition.

The following is a summary of the purchase price allocation at the date of acquisition based upon the estimated fair values of the assets acquired and liabilities assumed:

Consideration Given:		
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
	\$	503,742
Net asset acquired at fair value		
Cash	\$	2,882
Grafton units		1,225,784
Current liabilities (Note 4(i))		(221,181)
Net asset at fair value		1,007,485
Non controlling interest		(503,743)
	\$	503,742

- (i) CanOrePro entered into a short term non-interest bearing loan agreement with Grafton whereby Grafton advanced CanOrePro US \$200,000. The principal of the loan will be repaid from proceeds from the future disposition of Grafton units.

On August 27, 2010, the Company cancelled the Option Agreement with Grafton and returned 231,623 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. Accordingly, the Company's ownership interest in CanOrePro increased to 100%. This transaction was recorded as an equity transaction as an adjustment to share capital of \$438,600, the original value of common shares issued, and the remaining amount of \$385,655 was charged to deficit. In addition, Grafton also cancelled an outstanding US \$200,000 short term non-interest bearing loan owed by CanOrePro.

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5. MARKETABLE SECURITIES

Marketable securities include of 2,000,010 common shares of Animas Resources Inc. ("Animas"), a company listed on the TSX-V in Canada, with a fair value of \$360,003. All shares have been released from escrow. During the nine month period ended September 30, 2011, the Company sold 402,500 common shares for total proceeds of \$100,277.

Marketable securities also include 80,000 common shares of GMV Minerals Inc. ("GMV"), a company listed on the TSX-V in Canada, which have a fair value of \$24,000. The GMV shares were received under the RHG property option agreement. During the nine month period ended September 30, 2011, the Company sold 45,000 common shares for total proceeds of \$17,670.

On August 27, 2010, the Company returned 231,623 Grafton units held by CanOrePro as a result of the transaction described in Note 4. The units had a value of \$1,225,784.

During the 2010 fiscal year, the Company received 744,101 common shares of Canada Rare Earths Inc. to settle \$111,615 in amounts receivable. During the nine month period ended September 30, 2011, the Company sold 700,000 common shares for total proceeds of \$103,925, leaving 44,101 common shares of Canada Rare Earths Inc. with a fair market value of \$16,759 at September 30, 2011.

6. EXPLORATION AND EVALUTATION ASSETS

Expenditures incurred on the Company's exploration and evaluation assets are as follows:

	Sindeni Property
Balance, December 31, 2009 and 2010	\$ -
Acquisition cost	73,932
Deferred exploration costs	12,287
Balance, September 30, 2011	\$ 86,219

The Company entered into a letter of intent, dated July 27, 2011 and amended September 23, 2011, with Falco Goldfields Limited to acquire a 100% interest in 4 prospecting licenses, potentially hosting gold and other minerals, totalling approximately 702 square kilometers in North-Eastern Tanzania.

These prospecting licenses, collectively called the Sindeni Project, are located within the Mozambique Geological Belt, and are located approximately 40 kilometers from the northeastern boundary of Canaco Resources Inc., (TSX-V: CAN), Magambazi Property, in the Handeni district in the Tanga region, northeastern Tanzania. The Mozambique Belt is highly deformed with shear zones developed on a north-eastern and mostly west north-western trend. Folding is present at both regional and local scale. These structures are an important target area for gold mineralization within the fold hinge zones, while erosion of the latter results in numerous small-scale alluvial workings within the Handeni District. The Canaco Magambazi Property is located on a northwest-southeast trending structure with artisanal gold workings nearby. The Sindeni Property has similar northwest-southeast trending structures, also with artisanal gold workings nearby. Canada Gold's initial exploration focus will be on two large areas near these artisanal workings.

The consideration for the acquisition are cash payments of US \$1,050,000, incurring exploration expenditures of US \$4,000,000 and the issuance of 3,500,000 shares from treasury over a 3 year period. The optionor retains a 2.5% net smelter return royalty of which, 1.5% can be purchased for US \$2,000,000 at any time, once all considerations have been satisfied.

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6. EXPLORATION AND EVALUTATION ASSETS - *Continued*

<u>Payment Date</u>	<u>US Cash</u>	<u>Shares</u>	<u>Work Commitment</u>
On TSX Filing - Paid	\$ 50,000	-	-
On TSX-V Approval	\$ 100,000	1,000,000	-
On 6 month Anniversary	\$ 150,000	500,000	-
On 12 month Anniversary	\$ 150,000	500,000	-
On 18 month Anniversary	\$ 150,000	500,000	-
On 24 month Anniversary	\$ 150,000	500,000	\$ 2,000,000
On 30 month Anniversary	\$ 150,000	500,000	-
On 36 month Anniversary	\$ 150,000	-	\$ 2,000,000
Total	\$ 1,050,000	*3,500,000	\$ 4,000,000

** All shares issued are subject to a minimum 4 month hold from the date of issuance or as directed by the TSX-V*

Canada Gold commissioned Mr. Nico Scholtz, (Pr. Sci. Nat), the principal geologist of Scarab Environmental & Geological Enterprises to review the property and provide a NI 43-101 compliant report, which was received by the Company during the third quarter ended September 30, 2011. In addition, Canada Gold contracted Rexattorneys of Tanzania, who completed the requisite due diligence on the status and ownership of the prospecting licenses and issued an independent legal opinion.

The acquisition of the above prospecting licenses and the consideration payable have obtained conditional TSX-V acceptance on September 27, 2011, and are subject to final TSX-V and regulatory approvals.

7. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued and outstanding: 13,039,118 (December 31, 2010 – 13,014,118)

See consolidated statement of equity.

Warrants

As at September 30, 2011, the following share purchase warrants issued with financings made by private placements were outstanding:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,528,009	\$0.65	November 25, 2011
1,528,009		

Stock Options

At the Company's August 5, 2011 Annual General 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 20% of the issued and outstanding common shares at the time of the grant. Options granted under the plan are subject to vesting.

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7. SHARE CAPITAL - Continued

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

	September 30, 2011		December 31, 2010	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	1,297,778	\$0.20	970,000	\$0.39
Granted	-	-	938,889	\$0.11
Exercised	(25,000)	-	-	-
Expired/Cancelled	(25,000)	-	(611,111)	\$0.37
Ending balance	1,222,778	\$0.20	1,297,778	\$0.20

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

September 30, 2011				
Quantity Outstanding	Quantity Exercisable	Exercise Price	Expiry Date	
408,889	408,889	\$0.39	October 1, 2011	
838,889	838,889	\$0.11	August 26, 2013	
1,222,778	1,222,778			

December 31, 2010				
Quantity Outstanding	Quantity Exercisable	Exercise Price	Expiry Date	
408,889	408,889	\$0.39	October 1, 2011	
838,889	838,889	\$0.11	August 26, 2013	
50,000	12,500	\$0.15	September 15, 2013	
1,297,778	1,260,278			

Stock Options

The weighted average contract life remaining on the above options is 662 days or 1.81 years (2010 – 752 days or 2.06 years).

The Company uses the Black-Scholes Option Pricing Model (the "Model") to calculate the fair value of stock options granted. The Model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The Model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. During the third quarter ended September 30, 2011, there were no stock options granted.

Total stock-based compensation for the period ended September 30, 2011 was \$4,156 (2010 - \$Nil) and is included in consulting fees for options granted to investor relations consultants of the Company.

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8. RELATED PARTY TRANSACTIONS

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

- a) During the period, management fees of \$106,500 (2010 - \$101,250) were paid to companies controlled by directors and/or officers of the Company.
- b) During the period, accounting fees of \$26,250 (2010 - \$36,000) were paid to a company controlled by an officer.

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.

During the previous yearend, the Company had advanced \$15,306 (December 31, 2010 - \$15,306; January 1, 2010 - \$85,282) to a company controlled by directors and officers of the Company for future rent and office expenses. The amount is non-interest bearing with no formal terms of repayment. During the nine months ended September 30, 2011, this amount has been repaid by the related party.

Key management personnel compensation:

	Three months ended	
	September 30, 2011	September 30, 2010
Short-term benefits (Note 8(a),(b))	\$ 132,750	\$ 137,250
Share-based payments	-	-
Total remuneration	\$ 132,750	\$ 137,250

9. 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 September 30, 2011 as follows:

	Fair Value Measurements Using			Balance as of September 30, 2011 \$
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	
Assets:				
Cash	161,536	-	-	161,536
Marketable Securities	400,762	-	-	400,762
Total assets measured at fair value	562,298	-	-	562,298

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.

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9. FINANCIAL INSTRUMENTS - *Continued*

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 September 30, 2011, the Company had a long-term receivable of \$Nil (December 31, 2010 - \$250,000 US). During the period ended September 30, 2011, the Company received the final instalment of 499,251 common shares of Animas Resources Ltd. to settle the long-term receivable.

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.

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.

10. COMMITMENTS

The Company entered into a lease agreement for shared office space effective September 1, 2011 for a period of five years. Maximum future lease payments will be \$3,570 per month over the remaining 59 months of the lease agreement.

11. MANAGEMENT OF CAPITAL

The Company defines capital as all components of shareholders' equity. The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The board of directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

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12. SUBSEQUENT EVENTS

- a) On October 1, 2011, 408,889 incentive stock options, exercisable at \$0.39 expired.
- b) On October 12, 2011, the Company entered into an investor relations agreement with Trident Financial Corp., pursuant to which Trident will provide investor relations services to the Company, effective October 15, 2011, for a period of one year. Under the terms of the agreement, the Company will compensate Trident \$7,500 per month for the one year term, and grant 260,000 incentive stock options at a price of \$0.17 per share, exercisable until August 26, 2013. The options are subject to vesting provisions pursuant to which 25% of the options granted will vest in each quarter over 12 months.
- c) In addition to the stock options granted above, on October 12, 2011, the Company granted an additional 1,281,111 incentive stock options to directors, officers, and consultants. The options are exercisable at a price of \$0.17 with an expiry date of August 26, 2013.
- d) On October 12, 2011, the Company also announced that it has retained Mr. Paul Lemmon, P. Geo, FGS, Pr.Sci.Nat as Chief Geologist as well as the Qualifying Person under NI 43-101 for the Company.