

CAPITAL GOLD CORP
Form POS AM
June 09, 2010

As filed with the Securities and Exchange Commission on June 9, 2010

Registration No. 333 165866

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Post Effective Amendment #1 to
to

Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Capital Gold Corporation
(Exact name of registrant as specified in its charter)

Delaware	1040	13-3180530
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

76 Beaver Street, 14th Floor
New York, New York 10005
(212) 344-2785

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John Brownlie
President and Chief Operating Officer
Capital Gold Corporation
76 Beaver Street, 14th Floor
New York, New York 10005
(212) 344-2785
(212) 344-4537 — Facsimile

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Barry I. Grossman, Esq.
Sarah E. Williams, Esq.
Kathleen L. Cerveney, Esq.
Ellenoff Grossman & Schole LLP
150 East 42nd Street
New York, NY 10017
(212) 370-1300
(212) 370-7889 — Facsimile

Jonathan H. Gardner, Esq.
Kavinoky Cook LLP
726 Exchange Street, Suite 800
Buffalo, New York 14210
(716) 845-6000
(716) 845-6474 — Facsimile

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the transactions contemplated by the Business Combination

Edgar Filing: CAPITAL GOLD CORP - Form POS AM

Agreement described in the included proxy statement/prospectus have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

☐ Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

☐ Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(2)
Shares of common stock, par value \$0.0001 per share	12,099,135	\$ 3.335(3)	\$ 40,350,616	\$ 2,877.00
Shares of common stock underlying Warrants exercisable for one share of common stock par value \$0.0001 per share	4,830,938	\$ 5.15(4)	\$ 24,879,331	\$ 1,773.90
Shares of common stock underlying Options exercisable for one share of common stock par value \$0.0001 per share	1,218,403	\$ 4.77(4)	\$ 5,811,783	\$ 414.39
Total	18,148,476	—	\$ 71,041,730	\$ 5,065.29(5)

(1) In accordance with Rule 416, shares of common stock offered hereby shall also be deemed to cover additional securities to be offered or issued to prevent dilution pursuant to stock splits, stock dividends or similar transactions.

(2) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$71.30 per \$1,000,000 of the proposed maximum aggregate offering price.

- (3) Estimated pursuant to Rule 457(f)(1) solely for the purpose of computing the amount of the registration fee, based on the average of the high and low prices of the shares of common stock, par value \$0.0001 per share, Capital Gold Corporation on the NYSE AMEX on March 29, 2010.
- (4) Represents average exercise price of the Warrants or Options, as applicable.
- (5) Previously Paid

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further Amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This Post-Effective Amendment No. 1 ("Post Effective Amendment No. 1") to the Registration Statement on Form S-4, Registration No. 333-165866 (the "Registration Statement"), contains updated information relating to the material federal income tax consequences of the transaction by and between Capital Gold Corporation (the "Company") and Nayarit, Inc. ("Nayarit") to the Nayarit's securityholders. This Post Effective Amendment No. 1 also contains an amendment to the legal opinion of EGS. The proxy statement/prospectus included in this Post-Effective Amendment No. 1 supersedes and replaces in its entirety the proxy statement/prospectus filed with the Securities and Exchange Commission on May 20, 2010.

PROPOSED BUSINESS COMBINATION – YOUR VOTE IS VERY IMPORTANT

To the Stockholders of Capital Gold Corporation and Nayarit Gold Inc:

The Boards of Directors of Capital Gold Corporation (“Capital Gold”) and Nayarit Gold Inc. (“Nayarit”) each have unanimously approved a business combination agreement, including the annexed amalgamation agreement (the “Business Combination Agreement”) dated February 10, 2010 between Capital Gold and Nayarit, as amended on April 29, 2010 (the “Amendment”) pursuant to which Nayarit will become a wholly-owned subsidiary of Capital Gold (the “Business Combination”).

If the Business Combination is completed, all outstanding shares of Nayarit common stock and all outstanding warrants and options to purchase Nayarit common stock will be converted into the right to receive shares of Capital Gold common stock and options to purchase Capital Gold common stock, respectively. Each outstanding share of Nayarit common stock will be converted into the right to receive 0.134048 shares of Capital Gold common stock, with cash to be paid in lieu of any fractional share. Based on the number of shares of Nayarit common stock outstanding on February 10, 2010, Capital Gold expects to issue approximately 12,099,135 shares of its common stock in the Business Combination to Nayarit's current stockholders and to reserve for issuance an additional approximately 4,830,938 and 1,218,403 shares of Capital Gold common stock upon the exercise of former Nayarit warrants and options, respectively. Based on the number of outstanding shares of Nayarit common stock and Capital Gold common stock, after the merger, the current stockholders of Nayarit would own approximately 19.97% of Capital Gold on a non-diluted basis.

Capital Gold common stock is listed on the NYSE AMEX under the symbol “CGC” and closed at \$3.52 per share on February 10, 2010, the trading day prior to the announcement of the execution of the Business Combination Agreement. Capital Gold common stock is also listed on the Toronto Stock Exchange (the “TSX”) under the symbol “CGC” and closed at CDN\$3.73 per share on February 10, 2010. Nayarit common stock is listed on the TSX Venture Exchange (the “TSX-V”) under the symbol “NYG” and closed at CDN\$0.52 per share on February 10, 2010. If the Business Combination is completed, Nayarit's common shares will no longer be traded on the TSX Venture Exchange, but shares of Capital Gold will continue to be traded on the NYSE AMEX and the TSX.

Stockholders of Capital Gold will be asked at a special meeting (the “Capital Gold Special Meeting”) to approve the Business Combination Agreement and the Business Combination, including the issuance and reservation for issuance of shares of Capital Gold common stock in the Business Combination. The Capital Gold Special Meeting will be held at 10 a.m on July 2, 2010 at Bayards, One Hanover Square, New York City, New York, 10004, local time.

Stockholders of Nayarit will be asked at a special meeting (the “Nayarit Special Meeting”) to approve the Business Combination Agreement and the Business Combination. The Nayarit Special Meeting will be held at 76 Temple Terrace, Lower Sackville, Nova Scotia, B4C 0A7 on July 12, 2010 at 11:00 AM, local time.

This proxy statement/prospectus provides you with detailed information about Capital Gold, Nayarit, the proposed Business Combination and the Capital Gold Special Meeting and the Nayarit Special Meeting. We encourage you to read and consider carefully the accompanying joint proxy statement/prospectus in its entirety, including annexes. For a discussion of significant matters that should be considered before voting at the special meetings, please see the section entitled “Risk Factors.”

The board of directors of Capital Gold has fixed the close of business on May 5, 2010, as the record date (the “Capital Gold Record Date”) for the determination of stockholders entitled to notice of and to vote at the Capital Gold Special Meeting and at any adjournment thereof. A list of stockholders as of the Capital Gold Record Date entitled to vote at

the Capital Gold Special Meeting will be open to the examination of any Capital Gold stockholder, for any purpose germane to the Capital Gold Special Meeting, during ordinary business hours before the Capital Gold Special Meeting at the Capital Gold executive offices, and at the time and place of the Capital Gold Special Meeting during the duration of the Capital Gold Special Meeting.

The Board of Directors of Nayarit has fixed the close of business on June 10, 2010, as the record date (the “Nayarit Record Date”) for the determination of stockholders entitled to notice of and to vote at the Nayarit Special Meeting and at any adjournment thereof. A list of stockholders as of the Nayarit Record Date entitled to vote at the Capital Gold Special Meeting will be open to the examination of any Nayarit stockholder, for any purpose germane to the Nayarit Special Meeting, during ordinary business hours for a period of ten calendar days before the Nayarit Special Meeting at Nayarit’s executive offices in Sackville, Nova Scotia, and at the time and place of the Nayarit Special Meeting during the duration of the Nayarit Special Meeting.

Approval of the Business Combination requires the affirmative vote of a majority of the Capital Gold’s common stock voted at the Capital Gold Special Meeting at which a quorum is present and the affirmative vote of a special two-thirds majority of the Nayarit common stock voted at the Nayarit Special Meeting. See the sections entitled “Special Meeting of Stockholders of Capital Gold” and “Special Meeting of Stockholders of Nayarit,” for additional information.

After careful consideration, the respective boards of directors of each of Capital Gold and Nayarit have unanimously approved the Business Combination Agreement, the Amendment and the Business Combination. The respective boards of directors of Capital Gold and Nayarit each have concluded that the combination of the two companies may produce more value than either company could achieve individually.

The Board of Directors of Capital Gold recommends that its stockholders vote or give instruction to vote “FOR” the approval of the Business Combination Proposal to be presented at the Capital Gold Special Meeting.

The Board of Directors of Nayarit recommends that its stockholders vote or give instruction to vote “FOR” the approval of the Business Combination Proposal to be presented at the Nayarit Special Meeting.

The accompanying joint proxy statement/prospectus describes the proposed Business Combination in more detail. Capital Gold and Nayarit urge you to read this entire document carefully, including the Business Combination Agreement, which is included as Annex I. For a discussion of risk factors you should consider in evaluating the Business Combination, see the section entitled “Risk Factors” beginning on page 18.

Your vote is important. Whether or not you plan to attend the Capital Gold Special Meeting or the Nayarit Special Meeting, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided.

We strongly support the Business Combination of Capital Gold and Nayarit and recommend that you vote in favor of the proposals presented to you for approval.

/s/ John Brownlie
John Brownlie
President
Capital Gold Corporation

/s/ Colin Sutherland
Colin Sutherland
President and Chief Executive Officer
Nayarit Gold Inc.

CAPITAL GOLD CORPORATION
76 Beaver Street, 14th Floor
New York, NY 10005

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
OF CAPITAL GOLD CORPORATION
TO BE HELD ON JULY 5, 2010

To the Stockholders of Capital Gold Corporation:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders (the “Capital Gold Special Meeting”) of Capital Gold Corporation (“Capital Gold”), a Delaware corporation, will be held at 10 a.m. on July 2, 2010 at Bayards, One Hanover Square, New York City, New York, 10004, local time. You are cordially invited to attend the Capital Gold Special Meeting, at which meeting stockholders will be asked to consider and vote upon the following proposals, which are more fully described in the accompanying joint proxy statement/prospectus in the section entitled, “Proposals to be Considered by Capital Gold Stockholders.”

(1) The Business Combination Proposal — to adopt the business combination agreement, including the annexed amalgamation agreement (the “Business Combination Agreement”) dated as of February 10, 2010 as amended on April 29, 2010 (the “Amendment”) between Capital Gold and Nayarit Gold Inc., an Ontario corporation (“Nayarit”) pursuant to which Nayarit will amalgamate with a to be formed wholly-owned Ontario subsidiary of Capital Gold and Capital Gold will issue approximately 12,099,135 shares of its common stock to stockholders of Nayarit and reserve for issuance an additional approximately 4,830,938 and 1,218,403 shares of Capital Gold pursuant to warrants and options, respectively, of Nayarit. As a result of the transaction, Nayarit will become a wholly-owned subsidiary of Capital Gold (the “Business Combination”);

(2) The Stockholder Adjournment Proposal — to consider and vote upon the adjournment of the Capital Gold Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, at the time of the Capital Gold Special Meeting, it appears we cannot consummate the transactions contemplated by the Business Combination Agreement and the other proposals to be considered by stockholders (the “Stockholder Adjournment Proposal”); and

(3) Such other procedural matters as may properly come before the Capital Gold Special Meeting or any adjournment or postponement thereof.

After careful consideration, the Board of Directors of Capital Gold has unanimously approved the Business Combination Agreement the Amendment and the Business Combination and unanimously recommends that you vote or give instruction to vote “FOR” the Business Combination Proposal.

All Capital Gold stockholders are cordially invited to attend the Capital Gold Special Meeting in person. To ensure your representation at the Capital Gold Special Meeting, however, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. If you are a stockholder of record of Capital Gold common stock, you may also cast your vote in person at the Capital Gold Special Meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares or, if you wish to attend the Capital Gold Special Meeting and vote in person, you must obtain a proxy from your broker or bank.

The Board of Directors of Capital Gold has fixed the close of business on May 5, 2010 as the record date for the determination of stockholders entitled to notice of and to vote at the Capital Gold Special Meeting and at any adjournment or postponement thereof. As of the record date, there were 48,497,173 shares of Capital Gold common

stock issued and outstanding and entitled to vote at the Capital Gold Special Meeting.

A complete list of Capital Gold stockholders of record entitled to vote at the Capital Gold Special Meeting will be available for ten days before the Special Meeting at the principal executive offices of Capital Gold for inspection by stockholders during ordinary business hours for any purpose germane to the Capital Gold Special Meeting.

Your vote is important. Please sign, date and return your proxy card as soon as possible to make sure that your shares are represented at the Capital Gold Special Meeting. If you are a stockholder of record of Capital Gold common stock, you may also cast your vote in person at the Capital Gold Special Meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares.

BY ORDER OF THE
BOARD OF DIRECTORS,

/s/ Christopher Chipman
Christopher Chipman
Secretary

June 8, 2010

ALL PROPERLY SIGNED AND DATED PROXIES THAT CAPITAL GOLD RECEIVES PRIOR TO THE VOTE AT THE CAPITAL GOLD SPECIAL MEETING, AND THAT ARE NOT SUBSEQUENTLY REVOKED, WILL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS INDICATED ON THE PROXIES. ALL PROPERLY SIGNED AND DATED PROXIES RECEIVED BY CAPITAL GOLD PRIOR TO THE VOTE AT THE CAPITAL GOLD SPECIAL MEETING THAT DO NOT PROVIDE ANY DIRECTION AS TO HOW TO VOTE IN REGARDS TO THE BUSINESS COMBINATION PROPOSAL WILL BE VOTED FOR APPROVAL OF THE BUSINESS COMBINATION PROPOSAL.

NAYARIT GOLD INC.
76 Temple Terrace, Suite 150
Lower Sackville, Nova Scotia
B4C 0A7

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
OF NAYARIT GOLD INC.
TO BE HELD ON JULY 12, 2010

To the Stockholders of Nayarit Gold Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders (the “Nayarit Special Meeting”) of Nayarit Gold Inc. (“Nayarit Gold”), an Ontario corporation, will be held at 11 a.m., local time, on July 12, 2010, at 76 Temple Terrace, Lower Sackville, Nova Scotia, B4C0A7. You are cordially invited to attend the Nayarit Special Meeting, at which meeting stockholders will be asked to consider and vote upon the following proposal, which is more fully described in this proxy statement/prospectus under the heading, “Proposal to be Considered by Nayarit Stockholders.”

(1) The Business Combination Proposal—to approve by special resolution the business combination agreement (the “Business Combination Agreement”) dated as of February 10, 2010 as amended on April 29, 2010 (the “Amendment”) between Nayarit and Capital Gold Corporation (“Capital Gold”) pursuant to which Nayarit will amalgamate with a to be formed wholly-owned Ontario subsidiary of Capital Gold and the stockholders of Nayarit and holders of other Nayarit securities will receive securities of Capital Gold in exchange for the securities of Nayarit that they hold as of the record date for the transaction, as more fully described in the joint proxy statement/prospectus that accompanies this Notice (the “Business Combination”); and

(2) Such other procedural matters as may properly come before the Nayarit Special Meeting or any adjournment or postponement thereof.

After careful consideration, the Board of Directors of Nayarit has unanimously approved the Business Combination Agreement, the Amendment and the Business Combination and unanimously recommends that you vote or give instruction to vote “FOR” the Business Combination Proposal.

Stockholders of Nayarit have certain dissenters rights under the Ontario Business Corporations Act. See “Special Meeting of Stockholders of Nayarit – Nayarit Stockholders’ Dissenter Rights” in the enclosed joint proxy statement/prospectus.

All Nayarit stockholders are cordially invited to attend the Nayarit Special Meeting in person. To ensure your representation at the Nayarit Special Meeting, however, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. If you are a stockholder of record of Nayarit common stock, you may also cast your vote in person at the Nayarit Special Meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares or, if you wish to attend the Nayarit Special Meeting and vote in person, you must obtain a proxy from your broker or bank.

The Board of Directors of Nayarit has fixed the close of business on June 10, 2010 as the record date for the determination of stockholders entitled to notice of and to vote at the Nayarit Special Meeting and at any adjournment or postponement thereof. As of the record date, there were 92,909,665 shares of Nayarit common stock issued and outstanding and entitled to vote at the Nayarit Special Meeting.

Your vote is important. Please sign, date and return your proxy card as soon as possible to make sure that your shares are represented at the Nayarit Special Meeting. If you are a stockholder of record of Nayarit common stock, you may also cast your vote in person at the Nayarit Special Meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares. Registered stockholders of Nayarit have the right to dissent with respect to the Business Combination and, if the Business Combination becomes effective, to be paid the fair value of their shares of Nayarit common stock in accordance with the provisions of Section 185 of the Business Corporations Act (Ontario) (the "Ontario Act"). A dissenting stockholder must send to Nayarit a written objection to the Business Combination resolution which written objection must be received by the Chief Financial Officer of Nayarit or the Chairman of the Nayarit Special Meeting before the Nayarit Special Meeting. A Nayarit stockholder's right to dissent is more particularly described in the accompanying joint proxy statement/prospectus and the text of Section 185 of the Ontario Act is set forth as Annex II to the joint proxy statement/prospectus. Failure to strictly comply with the requirements set forth in Section 185 of the Ontario Act may result in the loss of any right of dissent. Only registered stockholders of Nayarit are entitled to dissent.

BY ORDER OF THE
BOARD OF DIRECTORS,

/s/ Colin Sutherland
Colin Sutherland
President and Chief
Executive Officer

June 8, 2010

ALL PROPERLY SIGNED AND DATED PROXIES THAT NAYARIT RECEIVES PRIOR TO THE VOTE AT THE NAYARIT SPECIAL MEETING, AND THAT ARE NOT SUBSEQUENTLY REVOKED, WILL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS INDICATED ON THE PROXIES. ALL PROPERLY SIGNED AND DATED PROXIES RECEIVED BY NAYARIT PRIOR TO THE VOTE AT THE NAYARIT SPECIAL MEETING THAT DO NOT PROVIDE ANY DIRECTION AS TO HOW TO VOTE IN REGARDS TO THE BUSINESS COMBINATION PROPOSAL WILL BE VOTED FOR APPROVAL OF THE BUSINESS COMBINATION PROPOSAL.

Nayarit stockholders should return their completed proxy cards to:

Computershare Trust Company of Canada
1969 Upper Water Street
Purdy's Wharf II
Suite 2008
Halifax, Nova Scotia B3J 3R7

JOINT PROXY STATEMENT/PROSPECTUS

CAPITAL GOLD CORPORATION
AND
NAYARIT GOLD INC.

We are pleased to announce that the Board of Directors of Capital Gold Corporation (“Capital Gold”) and the Board of Directors of Nayarit Gold Inc. (“Nayarit”), have agreed to a Business Combination between Capital Gold and Nayarit pursuant to a business combination agreement dated as of February 10, 2010, including the annexed amalgamation agreement (the “Business Combination Agreement”) as amended on April 29, 2010 (the “Amendment”).

The Business Combination Agreement and the amendment are attached as Annex I to this joint proxy statement/prospectus. We encourage you to read the Business Combination Agreement in its entirety, including all annexes.

Pursuant to the Business Combination Agreement, Nayarit will amalgamate with a corporation to be organized under the Ontario Business Corporation Act (the “Ontario Act”) as a wholly-owned subsidiary of Capital Gold and the Nayarit stockholders will receive 12,099,135 shares of Capital Gold common stock in exchange for all issued and outstanding shares of Nayarit common stock. In addition, holders of Nayarit options and warrants will receive shares of Capital Gold upon the exchange of their options and warrants on the same basis.

Capital Gold common stock is listed on the NYSE AMEX under the symbol “CGC” and closed at USD\$3.52 per share on February 10, 2010. Capital Gold common stock is also listed on the Toronto Stock Exchange (the “TSX”) under the symbol “CGC” and closed at CAD\$3.73 per share on February 10, 2010. Nayarit common stock is listed on the TSX Venture Exchange (the “TSX-V”) under the symbol “NYG” and closed at CAD\$0.52 per share on February 10, 2010.

Under the NYSE AMEX rules, stockholder approval is required to be obtained where the number of shares of a listed company issued or issuable in connection with an acquisition exceeds 19.99% of the number of issued and outstanding shares of the company on a non-diluted bases. Under the rules of the TSX, stockholder approval is required to be obtained where the number of shares of a listed company issued or issuable in connection with an acquisition transaction (which includes a merger or amalgamation) exceeds 25% of the number of shares of the company outstanding, on a non-diluted basis. Capital Gold stockholder approval is required under the rules of both the NYSE AMEX and the TSX for the completion of the Business Combination, as the relevant dilution threshold described immediately above for each stock exchange will be exceeded.

This joint proxy statement/prospectus provides you with detailed information about the Business Combination. You are encouraged to carefully read this entire document and the documents annexed hereto, including the Business Combination Agreement. You will note that sections of this joint proxy statement/prospectus are directed specifically to the stockholders of Capital Gold and sections of this joint proxy statement/prospectus are directed specifically to the stockholders of Nayarit. Please pay attention to the section headings in this document.

YOU SHOULD ALSO CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 18, TOGETHER WITH ALL OF THE OTHER INFORMATION INCLUDED IN THIS JOINT PROXY STATEMENT/PROSPECTUS BEFORE YOU DECIDE WHETHER TO VOTE OR INSTRUCT YOUR VOTE TO BE CAST TO ADOPT THE BUSINESS COMBINATION PROPOSALS SET FORTH IN THIS JOINT PROXY STATEMENT/PROSPECTUS.

Capital Gold and Nayarit are soliciting the enclosed proxy cards on behalf of their respective Boards of Directors, and they will pay all costs of preparing, assembling and mailing their respective proxy materials. In addition to mailing

out proxy materials, Capital Gold's and Nayarit's officers may solicit proxies from their respective stockholders by telephone or fax, without receiving any additional compensation for their services. Capital Gold and Nayarit have requested brokers, banks and other fiduciaries to forward proxy materials to the beneficial owners of their common stock. Capital Gold has also retained the proxy soliciting firm of Mackenzie Partners, Inc. to solicit proxies on its behalf.

Neither the Securities and Exchange Commission nor any state securities commission nor any Province of Canada has determined if the attached proxy statement/prospectus is truthful or complete nor has the Securities and Exchange Commission or any state securities commission approved or disapproved the Capital Gold Stock to be issued or issuable in the Business Combination or determined if the information in this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated June 8, 2010 and is first being mailed to the Capital Gold and Nayarit stockholders on or about June 10, 2010.

TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS FOR ALL STOCKHOLDERS ABOUT THE BUSINESS COMBINATION PROPOSALS	1
QUESTIONS AND ANSWERS FOR CAPITAL GOLD STOCKHOLDERS	5
QUESTIONS AND ANSWERS FOR NAYARIT STOCKHOLDERS	6
SUMMARY	8
Information About The Parties To The Business Combination	8
Capital Gold Corporation	8
Nayarit Gold, Inc.	8
Summary Of The Business Combination	8
The Business Combination Agreement	8
Risks Associated with Capital Gold and the Business Combination	9
Vote of Stockholders Required	9
Recommendations of the Respective Boards of Directors	9
Interests of Directors and Executive Officers	9
Conditions to the Completion of the Business Combination	9
Completion and Effectiveness of the Business Combination	10
Restrictions on Solicitation of Alternative Transactions by Nayarit	10
Termination of the Business Combination Agreement and Payment of Certain Termination Fees	10
Material U.S. Federal Income Tax Consequences of the Business Combination	10
Material Canadian Federal Income Tax Consequences	10
Accounting Treatment of the Amalgamation	12
Nayarit Stockholders' Dissenter Rights	12
Regulatory Approvals	12
Board of Directors and Management of Capital Gold Following the Business Combination	12
Reasons for Approval of the Business Combination	13
SELECTED HISTORICAL FINANCIAL INFORMATION OF CAPITAL GOLD	14
SELECTED HISTORICAL FINANCIAL INFORMATION OF NAYARIT	15
COMPARATIVE PER SHARE DATA	16
RISK FACTORS	18
Risks Related to the Business Combination and the Combined Entity	18
Risks Related to Capital Gold	22
Risks Related to Ownership of Capital Gold Stock	27
THE BUSINESS COMBINATION	30
Overview and Structure of the Business Combination	30
Accounting Treatment of the Amalgamation	31
Regulatory Approvals	31
Closing and Effective Time of Amalgamation	31
Conditions to Closing of the Amalgamation	31
Representations and Warranties of Capital Gold and Nayarit in the Business Combination Agreement	33
Covenants of the Parties	33
Non-Solicitation	33
Indemnifications Provisions	34
Termination	34
Effect of Termination	34
Break Fee	35

Amendment to the Business Combination Agreement	35
COMPARISON OF RIGHTS OF NAYARIT STOCKHOLDERS AND CAPITAL GOLD STOCKHOLDERS	36
Authorized Capital	36
Number and Election of Directors	36
Removal of Directors	36
Filling Vacancies on the Board of Directors	36
Stockholder Meetings and Provisions for Notices; Proxies	37
Quorum and Voting by Stockholders	37
Stockholder Action Without a Meeting	37
Amendment of Certificate or Articles of Incorporation	38
Amendment of Bylaws	38
Anti-Takeover Statutes	38
Limitation of Liability and Indemnification of Directors and Officers	39

Appraisal/Dissenters' Rights	39
Dividends	40
DOCUMENTS INCORPORATED BY REFERENCE	41
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	41
SPECIAL MEETING OF STOCKHOLDERS OF CAPITAL GOLD	42
General	42
Date, Time and Place	42
Purpose of the Special Meeting of Stockholders	42
Recommendation of Capital Gold's Board of Directors to Stockholders	42
Record Date; Who is Entitled to Vote	42
Quorum and Required Vote for Stockholder Proposals	42
Abstentions and Broker Non-Votes	43
Voting Your Shares of Common Stock	43
Revoking Your Proxy	43
No Additional Matters May Be Presented at the Special Meeting	43
Who Can Answer Your Questions About Voting Your Capital Gold Shares	44
Appraisal Rights	44
Proxy Solicitation Costs	44
Vote of Management of Capital Gold	44
PROPOSALS TO BE CONSIDERED BY CAPITAL GOLD STOCKHOLDERS	45
The Business Combination Proposal	45
General Description of the Business Combination	45
Background of the Business Combination	45
Capital Gold's Board of Directors' Reasons for Approval of the Business Combination	46
Terms of the Business Combination Agreement	48
Certain Benefits of the Directors and Officers and Others in the Business Combination	48
Contact Information for Capital Gold	48
Required Vote	48
Recommendation of Capital Gold's Board of Directors	49
The Stockholder Adjournment Proposal	50
Purpose	50
Consequences if the Stockholder Adjournment Proposal is Not Approved	50
Required Vote	50
Recommendation of Capital Gold's Board of Directors	50
SPECIAL MEETING OF STOCKHOLDERS OF NAYARIT	51
General	51
Date, Time and Place	51
Purpose of the Special Meeting of Stockholders	51
Recommendation of Nayarit's Board of Directors to Stockholders	51
Nayarit Stockholders' Dissenter Rights	52
Canadian Federal Income Tax Consequences for Holders of Nayarit Shares, Nayarit Warrants and Nayarit Options	54
Certain Material U.S. Federal Income Tax Considerations	56
Solicitation of Proxies	57
Voting Common Shares	57
Registered Stockholders	58
Non-Registered/Beneficial Stockholders	58
Appointment of Proxy Holders	58
Revocability of Proxies	58

Voting Shares and Principal Stockholders	59
Additional Information	59
Board of Directors Approval	59
PROPOSAL TO BE CONSIDERED BY NAYARIT STOCKHOLDERS	60
The Business Combination Proposal	60
General Description of the Business Combination	60
Background of the Business Combination	61
Nayarit's Board of Directors' Reasons for Approval of the Business Combination	61

Terms of the Business Combination Agreement	63
Fairness Opinion of Blair Franklin Capital Partners Inc.	63
Certain Benefits of the Directors and Officers and Others in the Business Combination	64
Required Vote	64
Recommendation of Nayarit's Board of Directors	64
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS	65
INFORMATION ABOUT CAPITAL GOLD	73
Sonora, Mexico Concessions	73
Properties	73
Other Properties	80
Competition	80
Employees	80
Legal Proceedings	81
Capital Gold's Management's Discussion and Analysis of Financial Condition and Results of Operations for Years ended July 31, 2009, 2008 and 2007	81
Overview	81
Results of Operations	82
Liquidity and Capital Resources	87
Recently Issued Accounting Pronouncements	90
Capital Gold's Management's Discussion and Analysis of Financial Condition and Results of Operations for Six Months ended January 31, 2010	98
Receipt of Technical Report for Updated Reserves at El Chanate	98
El Oso Project-Saric Properties-Sonora, Mexico	100
Results of Operations	101
Liquidity and Capital Resources	105
Management of Capital Gold	112
Directors and Executive Officers	112
Board Leadership Structure and Role in Risk Oversight	114
Committees	115
Corporate Governance	118
Compliance with Section 16(a) of the Exchange Act	118
Compensation of Directors	118
Executive Compensation of Capital Gold	119
Compensation Discussion and Analysis	119
Compensation Committee Report	133
Audit Committee Report	133
Beneficial Ownership of Capital Gold's Securities	134
Interest of Capital Gold's Stockholders in the Transaction	136
Certain Relationships and Related Transactions of Capital Gold	136
Description of Securities of Capital Gold	136
Common Stock	137
Anti-Takeover Provisions	137
Transfer Agent and Warrant Agent	138
Price Range of Capital Gold Shares and Dividend Policy	138
INFORMATION ABOUT NAYARIT	140
Name and Incorporation	140
Intercorporate Relationships	140
Description of Business	140
Property Description and Location	140

Edgar Filing: CAPITAL GOLD CORP - Form POS AM

Accessibility, Climate, Local Resources, Infrastructure and Physiography	143
History	144
Geologic Setting	144
Exploration	146
Mineralization	147
Drilling	147
Sampling and Analysis	148
Security of Samples	149
Mineral Resources and Mineral Reserve Estimates	149
Mining Operations	150
Price Range of Nayarit Shares and Dividend Policy	151
Dividends or Distributions	151
Selected Financial Information	151
Nayarit's Management's Discussion and Analysis of Financial Condition and Results of Operations for the Year ended September 30, 2009	151
Results of Operations	151
Capital Resources	152
Off-Balance Sheet Arrangements	152
Transactions with Related Parties	152

Proposed Transactions	152
Critical Accounting Estimates	152
Changes in Accounting Policies and Pronouncements – Canadian GAAP	152
Future Accounting Changes – Canadian GAAP	153
Recently Issued Accounting Pronouncements – U.S. GAAP	154
Management’s Responsibility for Financial Statements	155
Risks and Uncertainties	155
Outstanding Shares	155
Description of Securities	155
Directors and Officers	159
Committees of the Board of Directors	161
Corporate Cease Trade Orders or Bankruptcies	162
Individual Bankruptcies	162
Penalties or Sanctions	162
Executive Compensation	162
Director Compensation	168
Indebtedness of Directors and Executive Officers	170
Statement of Corporate Governance Practices	170
Form 58-101F1 – Corporate Governance Disclosure (TSX Issuers)	171
Legal Proceedings and Regulatory Actions	175
Conflicts of Interest	175
Interest of Certain Persons in Matters to be Acted Upon	176
Interest of Informed Persons in Material Transactions	176
Non-Arm’s Length Party Transactions	176
Registrar and Transfer Agent	177
Material Contracts	177
Experts and Interests of Experts	177
Other Material Facts	177
Approvals	177
MANAGEMENT OF CAPITAL GOLD FOLLOWING THE BUSINESS COMBINATION	178
Directors and Executive Officers	178
Committees of the Board of Directors	178
Code of Conduct and Ethics	180
Director Compensation	180
Executive Compensation	180
Employment Agreements	180
Corporate Headquarters	180
GLOSSARY OF TERMS	181
Technical Terms	181
Additional Definitions	181
LEGAL MATTERS	183
EXPERTS	183
OTHER MATTERS	183
DEADLINE FOR RECEIPT OF CAPITAL GOLD STOCKHOLDER PROPOSALS	183
DELIVERY OF MATERIALS TO STOCKHOLDERS WITH SHARED ADDRESSES	184
WHERE YOU CAN FIND MORE INFORMATION	184
INDEX TO FINANCIAL STATEMENTS	F-2
ANNEX I – BUSINESS COMBINATION AGREEMENT, AS AMENDED	I-1
ANNEX II – RIGHTS OF DISSENTING STOCKHOLDERS OF NAYARIT	II-1

TRADEMARKS, TRADENAMES, SERVICE MARKS AND SERVICE NAMES

This proxy statement/prospectus contains trademarks, tradenames, service marks and service names of Capital Gold Corporation and Nayarit Gold, Inc. and others.that are used in conjunction with the operation of their respective businesses.

QUESTIONS AND ANSWERS FOR ALL STOCKHOLDERS
ABOUT THE BUSINESS COMBINATION PROPOSALS

The following questions and answers briefly address some commonly asked questions about the Business Combination Proposals to be presented at the Capital Gold Special Meeting of Stockholders and the Nayarit Special Meeting of Stockholders. The following questions and answers may not include all the information that is important to stockholders. We urge stockholders to read carefully this entire proxy statement/prospectus, including the annexes and the other documents referred to herein.

Q. Why am I receiving this joint proxy statement/prospectus?

A. Capital Gold and Nayarit have agreed to a Business Combination under the terms of a Business Combination Agreement that is described in this joint proxy statement/prospectus. In order to complete the Business Combination the stockholders of both Capital Gold and Nayarit must approve the Business Combination Agreement.

Q. Why is the Business Combination between Capital Gold and Nayarit being proposed?

A. Both Capital Gold and Nayarit believe that the combined company will create more value than either company could achieve individually. The combined company will have greater assets in Mexico with significant exploration potential, revenues from Capital Gold's producing mine and greater management depth. As such, management of both companies believe that the combined company will be better positioned to attract additional investment and that the stock of Capital Gold may receive greater investor attention as Capital Gold progresses to become a mid-tier precious metals producer in Latin America.

Stockholders are encouraged to review their respective management's reasons for the Business Combination in "Proposals to be Considered by Capital Gold Stockholders—The Business Combination Proposal" and "Proposal to be Considered by Nayarit Stockholders—The Business Combination Proposal," herein.

Q. What will a Nayarit stockholder receive in exchange for Nayarit common stock pursuant to the Business Combination?

A. All of the Nayarit shares of common stock (the "Nayarit Common Shares") issued and outstanding immediately prior to the consummation of the Business Combination (other than Nayarit Common Shares held by dissenting stockholders of Nayarit) shall become exchangeable into the common stock of Capital Gold on the basis of 0.134048 shares of Capital Gold common stock for each one (1) Nayarit Common Share. See "The Business Combination."

Q. What will a Nayarit option holder receive in exchange for Nayarit options pursuant to the Business

A. Upon completion of the Amalgamation, each option to purchase Nayarit Common Shares outstanding

Combination?

immediately prior to the Effective Time of the Amalgamation (the “Effective Time”) will become an option to purchase, on the same terms, 0.134048 shares of Capital Gold common stock for each Nayarit Common Share for which the option was exercisable. See “The Business Combination.”

Q. What will a Nayarit warrant holder receive in exchange for Nayarit warrants pursuant to the Business Combination?

A. Upon completion of the Amalgamation, each warrant to purchase Nayarit Common Shares outstanding immediately prior to the effective time of the Amalgamation will become an option to purchase, on the same terms, 0.134048 shares of Capital Gold common stock for each Nayarit Common Share for which the warrant was exercisable. See “The Business Combination.”

- Q. Who will be the directors of Capital Gold following the Business Combination?
- A. Upon the consummation of the Business Combination, the board of directors will consist of Stephen Cooper, John Cutler, Leonard Sojka, each a current director of Capital Gold, and Colin Sutherland, a nominee of Nayarit, and a nominee of Capital Gold.
- Q. When do you expect the Business Combination to be completed?
- A. Capital Gold and Nayarit are working to complete the Business Combination as promptly as possible. The completion of the Business Combination, however, is subject to the satisfaction of a number of conditions. Assuming the timely satisfaction of these conditions, Capital Gold and Nayarit hope to complete the Amalgamation in the second calendar quarter of 2010.
- Q. What stockholder approvals are needed to complete the Business Combination?
- A. Holders of a majority of the shares of Capital Gold common stock voted at the Capital Gold special meeting must approve the Business Combination Agreement and the issuance of Capital Gold common stock in connection with the Business Combination.
- Holdings of a special two-thirds majority of the outstanding Nayarit Common Shares present or represented by proxy at the Nayarit special meeting of stockholders (the “Nayarit Special Meeting”) must approve the Business Combination Agreement.
- Q. How does the board of directors of Capital Gold recommend I vote on the proposal?
- A. The board of directors of Capital Gold recommends that stockholders vote in favor of the Business Combination Proposal.
- Q. How does the board of directors of Nayarit recommend I vote on the proposal?
- A. The board of directors of Nayarit recommends that stockholders vote in favor of the applicable Business Combination Proposal.
- Q. How will the officers and directors of Capital Gold and Nayarit vote?
- A. The officers and directors of each of Capital Gold and Nayarit have indicated that they intend to vote any shares held by them in favor of the respective Business Combination Proposals.
- Q. Is there a penalty if the Business Combination Proposal is not approved?
- A. The Business Combination provides that a “break fee” of \$1 million (the “Break Fee”) will be payable in the event that the Business Combination is not consummated because (i) either Capital Gold or Nayarit fails to consummate the Business Combination as a result of the decision by one of their boards of directors to change its recommendation to its stockholders to approve the Business Combination; (ii) if Nayarit accepts an acquisition proposal from a third party for its stock or material assets; (iii) if Capital Gold’s or Nayarit’s action or inaction, through no fault of the other

party, results in the termination of the Business Combination Agreement, or (iv) if the required stockholder approval is not obtained, then the party that failed to consummate the Business Combination would be obligated to pay the other party the Break Fee. See “The Business Combination—Break Fee.”

Q. What do I need to do now?

A. After carefully reading and considering the information contained in and incorporated into this proxy statement/prospectus, please submit your proxy card according to the instructions on the enclosed proxy card as soon as possible. Unless you submit the applicable proxy card or attend the relevant special meeting and vote in person, your shares will not be represented or voted at the applicable special meeting.

Q. How do I vote?

A. If you hold your shares in “street name,” which means your shares are held of record by a broker, bank or nominee, you should contact your broker, bank or nominee to ensure that votes related to the shares you beneficially own are properly counted. In this regard, you must provide the record holder of your shares with instructions on how to vote your shares. If you wish to attend the Capital Gold Special Meeting or the Nayarit Special Meeting and vote in person, you must obtain a proxy from your broker, bank or nominee to vote your shares at the relevant special meeting.

Q. What will happen if I sign and return my proxy card without indicating how I wish to vote?

A. Signed and dated proxies received by Capital Gold or Nayarit without an indication of how the stockholder intends to vote on a proposal will be voted in favor of the relevant Business Combination Proposal and, in the case of Capital Gold, for the Stockholder Adjournment Proposal.

Q. If my shares are held in “street name,” will my broker, bank or nominee automatically vote my shares for me?

A. No. Your broker, bank or nominee cannot vote your shares with respect to non-discretionary matters unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank or nominee. Capital Gold and Nayarit believe the Business Combination Proposals presented to their respective stockholders will be considered non-discretionary and therefore your broker, bank or nominee cannot vote your shares without your instructions.

With respect to Capital Gold stockholders only, if you do not provide instructions with your proxy or sign your proxy card your bank or broker may deliver a proxy card expressly indicating that it is NOT voting your shares; this indication that a bank or broker is not voting your shares is referred to as a “broker non-vote.” Broker non-votes will be counted for purposes of determining whether a quorum is present, but will not count for purpose of determining the number of votes cast at the Capital Gold Special Meeting. Your bank, broker or other nominee can vote your shares only if you provide instructions on how to vote. You should instruct your broker to vote your shares in accordance with directions you provide.

Q. May I change my vote after I have mailed my signed proxy card?

A. Yes. You may change your vote by sending a later-dated, signed proxy card to your company’s corporate secretary at the address set forth below so that it is received by your company’s secretary prior to your company’s Special Meeting, or attend your company’s Special Meeting in person and vote. You also may revoke your proxy by sending a notice of revocation to your company’s Secretary, which must be received prior to your company’s Special

Meeting or, in the case of Nayarit, provide the instrument of revocation to the chairman of the Nayarit Special Meeting at the time of that meeting.

Q. What should I do if I receive more than one set of voting materials?

A. You may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. If you hold shares of Capital Gold and Nayarit, you will receive a set of voting materials from both companies.

Q. Who can help answer my questions about the Business Combination?

A. If you have questions about the Business Combination or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card you should contact the following persons:

Capital Gold stockholders should contact:

Christopher Chipman, Secretary
Capital Gold Corporation
76 Beaver Street, 14th Floor
New York, New York 10005.
Tel: (212) 344-2785
Fax: (212) 344-4537

or

You may also contact MacKenzie Partners, Inc., the Company's proxy solicitor, by contacting:

Toll Free 800-322-2885
Tel. 212-929-5500
Fax 212-929-0308
Email; proxy@mackenziepartners.com

or

Nayarit stockholders should contact:

Colin Sutherland
Nayarit Gold Inc.
76 Temple Terrace
Suite 150
Lower Sackville, Nova Scotia
B4C 0A7
Tel: (902) 252-3833
Fax: (902) 252-3836

QUESTIONS AND ANSWERS FOR CAPITAL GOLD STOCKHOLDERS

Q. Why is Capital Gold proposing the Business Combination?

A. Capital Gold believes that the proposed Business Combination will provide substantial benefits to Capital Gold stockholders. The Capital Gold board of directors believes the Business Combination will create more value than either Company could achieve individually, with greater assets in Mexico with significant exploration potential and greater management depth. To review the Capital Gold reasons for the transaction in greater detail, see “Proposals to be Considered by Capital Gold Stockholders – The Business Combination Proposal – Capital Gold’s Board of Directors’ Reasons for Approval of the Business Combination.”

Q. What percentage of Capital Gold will the current Capital Gold stockholders own immediately following the Business Combination?

A. Upon the consummation of the Business Combination, the current Capital Gold stockholders will hold approximately 80.03% of the issued and outstanding shares of Capital Gold common stock on a non-diluted basis.

Q. What will happen if I abstain from voting at the Capital Gold Special Meeting?

A. If you are a Capital Gold stockholder and you do not submit a proxy card or vote at the Capital Gold Special Meeting of Stockholders, your shares will not be counted as present for purposes of determining a quorum and will have no effect on the outcome of the proposal to approve the issuance of Capital Gold common stock in the Business Combination. If you submit a proxy card and affirmatively elect to abstain from voting, your proxy will be counted for purposes of determining the presence of a quorum but will not be voted at the special meeting. As a result, your abstention will have the same effect as a vote against the issuance of Capital Gold common stock in and consummation of the Business Combination.

Q. As a stockholder of Capital Gold, do I have appraisal rights if I object to the Business Combination?

A. No appraisal rights are available to stockholders of Capital Gold under the DGCL in connection with the proposals set forth herein.

Q. If I am not going to attend the Capital Gold Special Meeting in person, should I return my proxy card instead?

A. Yes. Whether or not you plan to attend the Capital Gold Special Meeting, after carefully reading and considering the information contained in this proxy statement/prospectus, please complete and sign your proxy card. Then return the proxy card in the enclosed return envelope provided in this package as soon as possible, to ensure your shares are represented at the special meeting.

QUESTIONS AND ANSWERS FOR NAYARIT STOCKHOLDERS

Q. Why is Nayarit proposing the Business Combination?

A. Nayarit believes that the proposed Business Combination will provide substantial benefits to Nayarit stockholders. The Nayarit board of directors believes the Business Combination provides stockholders with liquidity and will make capital and strategic and growth opportunities available to Nayarit that would not be available on a stand-alone basis. To review the Nayarit reasons for the transaction in greater detail, see “Proposal to be Considered by Nayarit Stockholders – The Business Combination Proposal – Nayarit’s Board of Directors’ Reasons for Approval of the Business Combination.”

Q. What percentage of Capital Gold will the former Nayarit stockholders own immediately following the Business Combination?

A. Upon the consummation of the Business Combination, Nayarit stockholders will hold approximately 19.97% of the issued and outstanding shares of Capital Gold common stock on a non-diluted basis.

Q. If I am not going to attend the Nayarit Special Meeting in person, should I return my proxy card instead?

A. Yes. Whether or not you plan to attend the Nayarit Special Meeting, after carefully reading and considering the information contained in this proxy statement/prospectus, please complete and sign your proxy card. Then return the proxy card in the enclosed return envelope provided in this package as soon as possible, to ensure your shares are represented at the special meeting.

Nayarit stockholders should return their completed proxy cards to:

Computershare Trust Company of Canada
1969 Upper Water Street
Purdy’s Wharf II
Suite 2008
Halifax, Nova Scotia B3J 3R7

Q. Will Nayarit stockholders be taxed on the Capital Gold securities that they receive in exchange for their Nayarit securities?

A. For U.S. federal income tax purposes, the Business Combination is intended to qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Assuming it is so treated, and subject to the potential application of the passive foreign investment company rules, Nayarit stockholders who are U.S. persons should not recognize gain or loss as a result of their receipt of Capital Gold securities in exchange for their Nayarit securities. No ruling from the IRS is being obtained, however, concerning the qualification of the Business Combination as a tax-free reorganization for U.S. federal income tax purposes. See “Special Meeting of Stockholders of

Nayarit—Certain Material U.S. Federal Income Tax Considerations.”

Q. As a stockholder of Nayarit, do I have dissenters rights if I object to the Business Combination?

A. Stockholders of Nayarit have certain dissenters rights under the Ontario Act. See “Special Meeting of Stockholders of Nayarit – Nayarit Stockholders’ Dissenter Rights” herein.

Q. What are the federal income tax consequences of exercising my dissenters’ rights?

A. For U.S. federal income tax purposes, Nayarit stockholders who exercise their dissenters’ rights and receive cash for their Nayarit shares should treat such receipt as a taxable disposition of such shares. See “Nayarit Special Meeting—Certain Material U.S. Federal Income Tax Considerations.”

Q. What will happen if I abstain from voting at the Nayarit Special Meeting?

A. If you are a Nayarit stockholder and you do not submit a proxy card or vote at the special meeting of Nayarit stockholders, your shares will not be counted as present for purposes of determining a quorum and will not be voted at the special meeting.

Q. Should I send in my stock certificates now?

A. No. You should not send in your stock certificates at this time. Promptly after the Effective Time of the Business Combination, Nayarit securityholders will receive transmittal materials with instructions for surrendering the Nayarit securities. You should follow the instructions in the post-closing letter of transmittal regarding how and when to surrender your certificates.

SUMMARY

This summary highlights selected information from this joint proxy statement/prospectus and is qualified in its entirety by the more detailed information included elsewhere in this joint proxy statement/prospectus. Because this is a summary, it may not contain all of the information that is material or important to you. Accordingly, you should read this entire joint proxy statement/prospectus carefully, including the annexes. Please also see the section entitled “Where You Can Find More Information.”

Information About the Parties to the Business Combination

Capital Gold Corporation

Capital Gold is engaged in the mining, exploration and development of gold properties in Mexico. Capital Gold’s primary focus is on the operation and development of the El Chanate project, and Capital Gold also conducts gold exploration in other locations in Sonora, Mexico. (The financial data in this discussion is in thousands, except where otherwise specifically noted.)

Capital Gold’s shares of common stock are currently listed on the NYSE AMEX under the symbol “CGC” and on the TSX under the symbol “CGC.” Following the Business Combination, Capital Gold anticipates that the shares of common stock will continue to be listed on the NYSE AMEX and the TSX.

The mailing address of Capital Gold’s principal executive office is 76 Beaver Street, 14th Floor, New York, New York 10005. Its telephone number is (212) 344-2785.

Nayarit Gold, Inc.

Nayarit is a development stage company engaged primarily in the acquisition and exploration of mineral properties in Mexico. Nayarit controls approximately 257,000 acres (104,000 hectares) of mining concessions known as the Orion Project in the State of Nayarit Mexico. The Orion Project lies in the Sierra Madre Occidental, a prolific mining district in Western Mexico.

Nayarit’s shares of common stock are currently listed on the TSX-V under the symbol “NYG”. Following the Business Combination, Nayarit’s shares of common stock will be exchanged for shares of Capital Gold which shares will continue to be listed on the NYSE AMEX and the TSX under the symbol “CGC.”

The mailing address of Nayarit’s principal executive office is 76 Temple Terrace, Suite 150, Lower Sackville, NS, B4C 0A7, Canada. Its telephone number is (902) 252-3833.

Summary of the Business Combination

The Business Combination Agreement (page 30)

The respective Boards of Directors of Capital Gold and Nayarit have approved a business combination agreement between Capital Gold and Nayarit dated as of February 10, 2010 as amended (the “Business Combination Agreement”) that would effect the amalgamation of Nayarit into a to be formed wholly owned Canadian subsidiary of Capital Gold. In this proxy statement/prospectus, we sometimes refer to the transaction covered by the Business Combination Agreement as the “Business Combination”. If the Business Combination is approved by the stockholders of both companies, the parties intend to effect an amalgamation (the “Amalgamation”) of Nayarit and a corporation to be organized under the Ontario Act as a wholly-owned subsidiary of Capital Gold (“Merger Sub”) in accordance with the

terms of the amalgamation agreement annexed to the Business Combination Agreement (the “Amalgamation Agreement”), to form a combined entity (“AmalgSub”). By virtue of the Amalgamation, the separate existence of each of Nayarit and Merger Sub shall thereupon cease, and AmalgSub, as the surviving company in the Amalgamation, shall continue its corporate existence under the Ontario Act as a wholly-owned subsidiary of Capital Gold.

Pursuant to the terms of the Amalgamation Agreement, by virtue of the Amalgamation and without any action on the part of Nayarit or the holders of any securities of Nayarit, all of the Nayarit Shares issued and outstanding immediately prior to the consummation of the Amalgamation Agreement (other than Nayarit Common Shares held by dissenting stockholders of Nayarit) shall become exchangeable into the common stock of Capital Gold on the basis of 0.134048 shares of Capital Gold common stock for each one (1) Nayarit Common Share. Further, upon completion of the Amalgamation, each option and warrant to purchase Nayarit common stock outstanding immediately prior to the Effective Time of the Amalgamation will become an option or warrant to purchase, on the same terms, 0.134048 shares of Capital Gold common stock for each share of Nayarit common stock for which the option or warrant was exercisable.

The Amalgamation Agreement, which is the legal document that governs the Business Combination, is attached as Exhibit A to the Business Combination Agreement attached as Annex I to this proxy statement/prospectus. We encourage you to read it carefully. Capital Gold and Nayarit also have provided a more detailed description of the Business Combination below under the caption “The Business Combination.”

The Amendment to the Business Combination Agreement (page 35)

On April 29, 2010, Capital Gold and Nayarit entered into an Amendment to the Business Combination Agreement, pursuant to which, among other things, it amended the provision with respect to the officers and board of directors of Capital Gold subsequent to the closing of the Business Combination. Specifically, because John Brownlie, Capital Gold’s current President and Chief Operating Officer tendered his resignation to be effective at the closing of the Business Combination, those provisions were amended to reflect such resignation.

Risks Associated with Capital Gold and the Business Combination (page 18)

The Business Combination poses a number of risks to each company and its respective stockholders. In addition, the shares of Capital Gold common stock to be issued to Nayarit stockholders in connection with the Business Combination will be subject to various risks associated with the combined businesses of Capital Gold and Nayarit. These risks are discussed in detail under the caption “Risk Factors.” Capital Gold and Nayarit encourage you to read and consider all of these risks carefully.

Vote of Stockholders Required (pages 48 and 64)

A complete list of Capital Gold stockholders of record entitled to vote at the Capital Gold Special Meeting will be available for ten days before the Special Meeting at the principal executive offices of Capital Gold for inspection by stockholders during ordinary business hours for any purpose germane to the Capital Gold Special Meeting.

The approval of the Business Combination by Capital Gold, including the issuance of Capital Gold common stock in the Business Combination, requires the affirmative vote of a majority of the shares of Capital Gold common stock voted at the Capital Gold Special Meeting at which a quorum is present. As of the record date, there were 48,497,173 shares of Capital Gold common stock outstanding and entitled to vote.

The approval of the Business Combination by Nayarit requires the affirmative vote of holders of a special two-thirds majority of the shares of Nayarit common stock represented in person or by proxy and voted at the Nayarit Special Meeting at which a quorum is present to vote for the proposal. As of the record date, there were 92,909,665 shares of Nayarit common stock outstanding and entitled to vote.

Recommendation of the Respective Board of Directors (pages 49 and 64)

Both of the respective Boards of Directors of Capital Gold and Nayarit have unanimously determined that the Business Combination, including all of its terms and conditions, is in the best interests of the stockholders of Capital Gold and the stockholders of Nayarit. Each Board recommends that their respective stockholders vote FOR approval of the Business Combination.

Interests of Directors and Executive Officers (pages 48 and 64)

As you consider the recommendations of the respective Boards of Directors of Capital Gold and Nayarit, you should be aware that certain officers, directors and other stockholders of both companies have interests regarding the Business Combination that are different from, or in addition to, your interests as stockholders of the respective companies. See “Proposals to be Considered by Capital Gold Stockholders—The Business Combination Proposal—Certain Benefits of the Directors and Officers and Others in the Business Combination” and “Proposal to be Considered by Nayarit Stockholders—The Business Combination Proposal—Certain Benefits of the Directors and Officers and Others in the Business Combination.”

Conditions to the Completion of the Business Combination (page 31)

Capital Gold and Nayarit's respective obligations to complete the Business Combination are subject to certain conditions described below under “The Business Combination – Conditions to Closing the Amalgamation.”

Completion and Effectiveness of the Business Combination (page 31)

Capital Gold and Nayarit expect to complete the Business Combination when all of the conditions to the completion of the Amalgamation contained in the Business Combination Agreement have been satisfied or waived. The Business Combination will become effective upon the filing of Articles of Amalgamation with the Ontario Ministry of Government Services (Companies and Personal Property Security Branch) and the issuance of a Certificate of Amalgamation therefor.

Capital Gold and Nayarit are working toward satisfying the conditions to the Business Combination, and hope to complete the Business Combination as soon as practicable following the special meetings of their respective stockholders.

Restrictions on Solicitation of Alternative Transactions by Nayarit (page 35)

Under the terms of the Business Combination Agreement, Nayarit may not solicit, initiate or, subject to limited exceptions, engage in discussions or negotiations with, or provide material inside information to, any third party regarding any type of extraordinary transactions, including a merger, business combination or sale of a material amount of assets or capital stock.

Termination of the Business Combination Agreement and Payment of Certain Termination Fees (page 34)

Capital Gold and Nayarit may terminate the Business Combination Agreement by mutual agreement and under certain other circumstances.

The Business Combination provides that a “break fee” of \$1 million (the “Break Fee”) will be payable in the event that the Business Combination is not consummated because certain specified events have occurred. Such events that would trigger payment of the Break Fee are as follows. If either Capital Gold or Nayarit, through no fault of the other party, fails to consummate the Business Combination as a result of the decision by one of their boards of directors to change its recommendation to its stockholders to approve the Business Combination, the party whose board changed its recommendation would be obligated to pay the other party the Break Fee. If Nayarit accepts an acquisition proposal from a third party for its stock or material assets (an “Acquisition Proposal”), then Nayarit would be obligated to pay the Break Fee. If Capital Gold’s or Nayarit’s action or inaction, through no fault of the other party, results in the termination of the Business Combination Agreement by the other party pursuant to termination provisions of the Business Combination Agreement, then the party that failed to so progress and consummate the Business Combination would be obligated to pay the other party the Break Fee. Finally, if either the required Nayarit stockholder approval vote or the Capital Gold stockholder approval vote is not obtained following the public announcement of an Acquisition Proposal, then the defaulting party would be obligated to pay to the other party the Break Fee.

Material U.S. Federal Income Tax Consequences of the Business Combination (page 56)

For U.S. federal income tax purposes, the Business Combination is intended to qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Assuming it is so treated, Nayarit stockholders who are U.S. persons should not recognize gain or loss as a result of their receipt of Capital Gold securities in exchange for their Nayarit securities. No ruling from the IRS or legal opinion is being obtained, however, concerning the qualification of the Business Combination as a tax-free reorganization for U.S. federal income tax purposes. See “Nayarit Special Meeting—Certain Material U.S. Federal Income Tax Considerations.”

Material Canadian Federal Income Tax Consequences (page 54)

The following is a summary of the principal Canadian federal income tax consequences under the Income Tax Act (Canada) (the “Tax Act”) generally applicable in respect of the Business Combination to a holder of Nayarit securities who, for purposes of the Tax Act and at all relevant times, is a resident of Canada, holds Nayarit shares of common stock, Nayarit warrants and/ or Nayarit options to purchase common stock as capital property, deals at arm’s length with Nayarit, is not affiliated with Nayarit or Capital Gold and to whom Nayarit is not is a foreign affiliate. This summary is not applicable to a holder that is a “financial institution” or a “specified financial institution” as defined in the Tax Act nor to a holder of an interest that is a tax shelter investment. Generally, securities will be considered to be capital property to the holder thereof unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure in the nature of trade.

This summary does not address the income tax considerations of exercising, cancelling or otherwise disposing of any options or warrants to acquire Capital Gold shares, nor does it address all issues relevant to Nayarit Stockholders who acquired shares on the exercise of options or warrants. This summary does not address the income tax consequences on the exercise cancellation or disposition of Capital Gold options or warrants. This summary also does not address the income tax consequences to persons who are not resident of Canada for purposes of the Tax Act or any applicable income tax treaty. Such security holders should consult their own tax advisors with respect to the Amalgamation.

This summary is based upon the current provisions of the Tax Act, the Regulations thereunder, all proposed amendments to the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the “Proposed Amendments”) and counsel’s understanding of the administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) publicly available prior to the date of this proxy statement/prospectus. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in the law or administrative policies or assessing practices of the CRA, nor does it take into account the tax law of any province, territory or foreign jurisdiction. There can be no assurance that the Proposed Amendments will be enacted in the form currently proposed or at all.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder. Holders of Nayarit shares and Capital Gold shares should consult their own tax advisers to determine the tax consequences to them of the Business Combination.

The Amalgamation

A holder of Nayarit shares who disposes of Nayarit shares, warrants or options in the Business Combination in exchange for Capital Gold shares, warrants or options, as the case may be, will generally be deemed to have disposed of such shares for proceeds of disposition equal to the fair market value of the Capital Gold shares, warrants, or options, as the case may be, received on the exchange.

Such holder will realize a capital gain to the extent that such proceeds of disposition exceed (or are less than) the adjusted cost base of that holder’s Nayarit shares, warrants or options disposed of immediately before the exchange and any reasonable costs of disposition. A holder of Nayarit shares, warrants or options will acquire the Capital Gold shares, Capital Gold warrants or Capital Gold options, as the case may be, at a cost equal to the fair market value of such Capital Gold shares, Capital Gold warrants or Capital Gold options received on the exchange. Such capital gain (or capital loss) will be subject to the tax treatment described below under “Capital Gains and Capital Losses.”

Dissenting Nayarit Stockholders

Dissenting stockholders are advised to consult with their own tax advisors with respect to the tax treatment of payments received as a result of the exercise of the dissent rights described herein. A Nayarit stockholder who dissents from the Business Combination and thereby becomes entitled to a cash payment that is ultimately paid by Capital Gold should generally be considered to have realized a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition of the Nayarit shares (which will be equal to the amount of the cash payment less any portion that is in respect of interest) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Nayarit shares and any reasonable costs of disposition. Any amount in respect of interest received by a Nayarit dissenting stockholder will be included in such dissenting stockholder’s income in accordance with the provisions of the Tax Act.

The date of disposition of shares disposed of by reason of a stockholder exercising such stockholder’s dissent rights is unclear and dissenting stockholders should consult their tax advisers in this regard.

Dividends on Capital Gold Shares

Capital Gold has stated that it does not intend to pay dividends in the foreseeable future. Dividends received or deemed to have been received by a holder of Capital Gold shares will be included in computing the stockholder's income. In the case of an individual stockholder, such dividends will not be eligible for the gross-up and dividend tax credit treatment normally applicable to dividends received from taxable Canadian corporations and in the case of a corporate holder such dividends will not be deductible in computing taxable income. A holder that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of 6 2/3% on such dividends.

Disposition of Capital Gold Shares

On the disposition or deemed disposition of Capital Gold shares, a holder will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition exceed (or are less than) the holder's adjusted cost base of the Capital Gold shares.

Capital Gains and Capital Losses

Generally, only one-half of any capital gain (a "taxable capital gain") is required to be included in the holder's income in the taxation year of disposition, and one-half of any capital loss (an "allowable capital loss") may be deducted against taxable capital gains realized in the taxation year of disposition. Allowable capital losses that cannot be deducted from taxable capital gains in the year of disposition can generally be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following year against taxable capital gains realized in such years to the extent and in the circumstances set out in the Tax Act.

Accounting Treatment of the Amalgamation (page 31)

The Capital Gold and Nayarit amalgamation will be accounted for under the acquisition method of accounting. Capital Gold is the acquirer and will utilize the acquisition method of accounting which is based on Accounting Standards Codification, or ASC, Topic 805, Business Combinations, or ASC 805 and uses the fair value concepts defined in ASC 820, Fair Value Measurements and Disclosures.

Nayarit Stockholders' Dissenter Rights (page 52)

Registered stockholders of Nayarit are entitled to dissent from the Business Combination Proposal in the manner provided in section 185 of the Ontario Act. Section 185 of the Ontario Act is reprinted in its entirety and attached to this proxy statement/prospectus as Annex II. In the event that the Business Combination is approved by the stockholders of Nayarit and the Business Combination is effected, registered stockholders of Nayarit who properly exercise dissent rights will be entitled to be paid the fair value of their Nayarit Shares as of the close of business on the date the Business Combination Proposal is approved. A registered Nayarit Stockholder who wishes to exercise dissent rights must send a Dissent Notice to Nayarit, such that it is received by Nayarit not later than 4:00 p.m. (Toronto time) on the business day immediately preceding the day of the Nayarit Special Meeting (or any postponement or adjournment thereof), at Nayarit Gold Inc., 76 Temple Terrace, Suite 150, Lower Sackville, Nova Scotia B4C 0A7. Attention: Megan Spidle. See "Special Meeting of Stockholders of Nayarit – Nayarit's Stockholders' Dissenter Rights" herein.

Regulatory Approvals (page 31)

Capital Gold and Nayarit do not believe that the Business Combination is subject to the reporting obligations, statutory waiting periods or other approvals of any government or regulatory agency or body other than addressing comments raised by the Securities and Exchange Commission, or SEC, with respect to this proxy statement/prospectus and a post-closing notice filing under the Investment Canada Act and the TSX and the TSX Venture Exchange.

Board of Directors and Management of Capital Gold Following the Business Combination (page 178)

Upon the consummation of the Business Combination, the Board of Directors of Capital Gold shall consist of Stephen M. Cooper, John W. Cutler, Leonard J. Sojka, each a current director of Capital Gold, and Colin Sutherland, a nominee of Nayarit, and a nominee of Capital Gold. Bradley Langille and Colin Sutherland will join Capital Gold as senior officers. See “Management of Capital Gold Following the Business Combination” for more information.

Proxies (page 44)

Proxies may be solicited by mail, telephone or in person. Capital Gold’s proxy solicitor is MacKenzie Partners, Inc, which can be reached by calling the toll free number (800) 322-2885 or 212-929-5500.

Reasons for Approval of the Business Combination (pages 46 and 61)

In reaching its decision to approve the Business Combination Agreement and recommend the Business Combination Proposal to their respective stockholders, Capital Gold's board of directors and Nayarit's board of directors considered a number of factors, including those listed below.

Expected Strategic Benefits of the Business Combination Proposal

- **Exploration and development.** The Business Combination will enhance the combined company's ability to grow and secure additional capital resources to continue exploration and development of Nayarit's Orion Project and Capital Gold's El Chanate Project, enhancing long term value for stockholders.
- **Visibility as a mid-tier producer.** The combined company has the potential to be recognized as a significant mid-tier producer in Latin America, with the possibility that further growth opportunities will follow.
- **Strong management team.** The combination of Capital Gold's and Nayarit's management will create a management team with complementary skills in exploration, business and projected development and operations.
- **Potential synergies.** The fact that Nayarit's and Capital Gold's respective assets and operations in Mexico are a strategic fit and complementary.
- **Market exposure.** Nayarit's investor following in Canada together with Capital Gold's following as an NYSE AMEX listed issuer will provide enhanced market exposure to the combined company.
- **Stockholder liquidity.** Increased market capitalization and a broader stockholder base resulting from the Amalgamation should improve trading liquidity for stockholders.

The respective boards of Nayarit and Capital Gold weighed these factors against a number of other factors identified in their respective deliberations as weighing negatively against the Business Combination, including:

- **Fixed exchange rate.** The exchange rate is fixed, and as a result, the Capital Gold shares issued on consummation of the Business Combination Agreement may have a market value different than at the time of the announcement of the Business Combination.
- **Conditions to closing.** The Business Combination Agreement is subject to several conditions and because there can be no certainty that these conditions may be satisfied or waived, the Business Combination may not be successfully completed, which could negatively impact upon both companies.
- **Termination rights.** The Business Combination Agreement may be terminated by either Capital Gold or Nayarit in certain circumstances in which case the market prices for the Capital Gold or Nayarit shares may be adversely affected.
- **Limitations on other opportunities.** The Business Combination Agreement significantly limits the ability of either party to pursue other Business Combination opportunities until the transaction is completed.

This discussion of the information and factors considered by the board of directors of Capital Gold and Nayarit includes the principal positive and negative factors considered by such boards, but is not intended to be exhaustive and may not include all of the factors considered. The boards did not quantify or assign any relative or specific weights to the various factors that it considered in reaching their determinations that the Business Combination Agreement and

Business Combination Proposals are advisable and in the best interests of their respective stockholders. Rather, the boards viewed their respective positions and recommendations as being based on the totality of the information presented to them and the factors they considered. It should be noted that this explanation of the reasoning of the respective boards of directors of Capital Gold and Nayarit and certain information presented in this section is forward-looking in nature and, therefore, that information should be read in light of the factors discussed in the section entitled “Cautionary Note Regarding Forward-Looking Statements” in this joint proxy statement/prospectus.

SELECTED HISTORICAL FINANCIAL INFORMATION OF CAPITAL GOLD

Capital Gold is providing the following selected historical financial information to assist you in your analysis of the financial aspects of the Business Combination.

The following selected historical financial information was derived from Capital Gold's audited financial statements as of July 31, 2009 and 2008 contained in its Annual Report on Form 10-K for the fiscal year ended July 31, 2009 filed with the SEC on October 14, 2009, which is incorporated by reference into this joint proxy statement/prospectus. The unaudited financial statements for the six months ended January 31, 2010 and 2009 which are contained in our Quarterly Report on Form 10-Q for the six months ended January 31, 2010, filed with the SEC on March 12, 2010, as amended on our Quarterly Report on Form 10-Q/A for the six months ended January 31, 2010 filed with the SEC on March 17, 2010, which is incorporated by reference into this joint proxy statement/prospectus, and Capital Gold's audited financial statements as of July 31, 2007, 2006 and 2005 which are available at www.sec.gov. The results of operations for interim periods are not necessarily indicative of the results of operations which might be expected for the entire year.

The following information is only a summary and should be read in conjunction with the unaudited interim financial statements of Capital Gold for the six months ended January 31, 2010 and 2009 and the notes thereto and the audited financial statements of Capital Gold for the year ended July 31, 2009 and 2008 and the notes thereto and "Capital Gold's Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this joint proxy statement/prospectus.

	For the Six Months Ended		Fiscal Year Ended July 31											
	January 31,													
	2010	2009	2009	2008	2007	2006	2005							
	(unaudited)		(in the thousands except share and per share data)											
Statement of Operations data:														
Revenues (1)	\$	24,955	\$	20,544	\$	42,757	\$	33,104	\$	-	\$	-	\$	-
Net Income (loss)	\$	5,884	\$	5,133	\$	10,407	\$	6,364	\$	(7,472)	\$	(4,805)	\$	(2,006)
Income (loss) per share – Basic (2)	\$	0.12	\$	0.11	\$	0.22	\$	0.15	\$	(0.20)	\$	(0.17)	\$	(0.11)
Income (loss) per share – Diluted(2)(3)	\$	0.12	\$	0.10	\$	0.21	\$	0.13	\$	-	\$	-	\$	-
Weighted average shares outstanding – Basic (2)		48,505,818		48,278,255		48,315,116		43,760,000		37,452,816		28,051,118		18,780,980
Weighted average shares outstanding – Diluted(2)(3)		49,861,776		49,729,966		49,882,770		48,867,282		37,452,816		28,051,118		18,780,980
Balance Sheet data:														

Edgar Filing: CAPITAL GOLD CORP - Form POS AM

Cash and cash equivalents	\$	4,943	\$	8,848	\$	6,448	\$	10,992	\$	2,225	\$	2,741	\$	4,282
Inventories	\$	28,109	\$	14,720	\$	21,405	\$	13,113	\$	3,171	\$	—	\$	—
Property and equipment, net	\$	24,725	\$	22,537	\$	22,417	\$	20,918	\$	18,000	\$	1,036	\$	651
Total assets	\$	63,636	\$	50,965	\$	54,601	\$	48,879	\$	27,551	\$	9,546	\$	5,552
Reclamation and remediation liability	\$	1,854	\$	1,215	\$	1,594	\$	1,666	\$	1,249	\$	-	\$	-
Long-term debt	\$	2,600	\$	6,200	\$	4,400	\$	8,375	\$	12,500	\$	-	\$	-
Total debt	\$	6,200	\$	10,250	\$	8,000	\$	12,500	\$	12,500	\$	-	\$	-
Total stockholders' equity	\$	45,250	\$	50,965	\$	37,882	\$	28,197	\$	11,986	\$	8,930	\$	5,269

Notes:

(1) There were no revenues for the fiscal years ended July 31, 2007, 2006 and 2005 as Capital Gold's first gold sale from production was in August 2007.

(2) Amounts were adjusted for retroactive effect of reverse stock split with every four (4) shares of common stock issued and outstanding being converted into one (1) share of common stock.

(3) Because Capital Gold incurred losses for the fiscal years ended July 31, 2007, 2006 and 2005, the effect of stock options and warrants was considered anti-dilutive. Accordingly, Capital Gold's presentation of diluted net loss per share is the same as that of basic net loss per share.

SELECTED HISTORICAL FINANCIAL INFORMATION OF NAYARIT

Nayarit is providing the following selected historical financial information to assist you in your analysis of the financial aspects of the Business Combination.

The following selected historical financial information was derived from Nayarit's audited financial statements as of September 30, 2009 and 2008, prepared in accordance with Canadian GAAP, with a reconciliation to U.S. GAAP, the unaudited financial statements for the three months ended December 31, 2009 and 2008, prepared in accordance with Canadian GAAP both of which are included elsewhere in this proxy statement/prospectus and Nayarit's audited financial statements as of September 30, 2007, 2006 and 2005, prepared in accordance with Canadian GAAP, are available at www.sedar.com. The results of operations for interim periods are not necessarily indicative of the results of operations which might be expected for the entire year.

The following information is presented in accordance with U.S. GAAP and has been translated from Canadian dollars to U.S. dollars at the period end exchange rate for balance sheet data and at the average annual exchange rate for statement of operations data.

The following information is only a summary and should be read in conjunction with the unaudited interim financial statements of Nayarit for the three months ended December 31, 2009 and 2008 and the notes thereto and the audited financial statements of Nayarit for the year ended September 30, 2009 and the notes thereto and "Nayarit's Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this joint proxy statement/prospectus.

	For the Three Months Ended December 31			Fiscal Year Ended September 30			
	2009	2008	2009	2008	2007	2006	2005
	(unaudited)						
Statement of Operations data:							
Revenues (1)	-	-	-	-	-	-	-
Net Loss	\$ (902,099)	\$ (2,515,466)	\$ (8,136,340)	\$ (8,264,093)	\$ (5,366,349)	\$ (3,840,011)	\$ (1,830,354)
Loss per share – Basic							
(2)	\$ (0.01)	\$ (0.04)	\$ (0.10)	\$ (0.16)	\$ (0.13)	\$ (0.12)	\$ (0.11)
Loss per share – Diluted(2)	\$ (0.01)	\$ (0.04)	\$ (0.10)	\$ (0.16)	\$ (0.13)	\$ (0.12)	\$ (0.11)
Weighted Average Shares Outstanding – Basic(2)	89,688,896	68,001,769	79,126,397	50,758,673	39,978,939	30,929,315	15,423,436
Weighted Average Shares Outstanding – Diluted(2)	89,688,896	68,001,769	79,126,397	50,758,673	39,978,939	30,929,315	15,423,436

Balance Sheet data:								
Cash and cash equivalents	\$ 1,349,955	\$ 1,290,471	\$ 2,285,722	\$ 5,161,202	\$ 1,374,629	\$ 145,991	\$ 701,230	
Total Assets	\$ 6,815,777	\$ 4,194,006	\$ 7,039,826	\$ 7,113,098	\$ 2,075,125	\$ 2,151,531	\$ 909,256	
Reclamation and Remediation Liability	-	-	-	-	-	-	-	-
Long-term Debt	-	-	-	-	-	-	-	-
Total debt	-	-	-	-	-	-	-	-
Total stockholders' equity	\$ 6,412,878	\$ 3,549,294	\$ 6,691,074	\$ 6,192,924	\$ 1,756,708	\$ 2,007,996	\$ 839,955	

Notes:

(1) Nayarit has not had revenues since inception.

(2) Because Nayarit incurred losses for the periods presented, the effect of stock options and warrants was considered anti-dilutive. Accordingly, Nayarit's presentation of diluted net loss per share is the same as that of basic net loss per share.

COMPARATIVE PER SHARE DATA

The following table sets forth selected historical per share information of Capital Gold and Nayarit and unaudited pro forma combined per share information after giving effect to the merger between Capital Gold and Nayarit, under the acquisition method of accounting, assuming that 0.134048 shares of Capital Gold common stock are exchanged into one (1) Nayarit Common Share. The pro forma shares to be issued assumes the issuance of 12,099,135 common shares, which is calculated by multiplying 0.134048 by 90,259,548, being the number of shares of Nayarit common stock outstanding on February 11, 2010. Nayarit stockholders will own approximately 19.97% of the issued and outstanding shares of Capital Gold common stock. The acquisition method of accounting is based on Accounting Standards Codification, or ASC, Topic 805, Business Combinations, or ASC 805, and uses the fair value concepts defined in ASC 820, Fair Value Measurements and Disclosures. The pro forma adjustments reflect the assets and liabilities of Nayarit at their preliminary estimated fair values. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the unaudited pro forma combined per share information set forth in the following table.

In accordance with the requirements of the SEC, the unaudited pro forma combined and unaudited pro forma Capital Gold and Nayarit per share equivalent information gives effect to the Amalgamation as if the Amalgamation had been effective on August 1, 2008 in the case of income per share data, and January 31, 2010 in the case of book value per share data. You should read this information in conjunction with the selected historical financial information included elsewhere in this proxy statement/prospectus, and the historical financial statements of Capital Gold and Nayarit and related notes that have been filed with the SEC, certain of which are incorporated in this proxy statement/prospectus by reference. See “Selected Historical Financial Information of Capital Gold” beginning on page 14, “Selected Historical Financial Information of Nayarit” beginning on page 15 and “Where You Can Find More Information” beginning on page 184. The unaudited Capital Gold pro forma combined per share information is derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes included in this proxy statement/prospectus. See “Unaudited Pro Forma Condensed Combined Financial Statements” beginning on page 65. The historical per share information of Nayarit below is derived from audited financial statements as of and for the year ended September 30, 2009 and the unaudited financial statements as of and for the three months ended December 31, 2009. The unaudited pro forma Nayarit per share equivalents are calculated by multiplying the unaudited Capital Gold pro forma combined per share amounts by the exchange ratio of 0.134048.

The unaudited pro forma combined per share information below is presented for illustrative purposes only and is not necessarily indicative of the income per share and book value that would have occurred if the Amalgamation had been completed as of the beginning of the periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined company.

	As of and for the Six Months Ended January 31, 2010 (unaudited)	As of and for the Twelve Months Ended July 31, 2009
Comparative per Share Data		
Capital Gold - Historical		
Historical per common share:		
Earnings per share (basic)	\$ 0.12	\$ 0.22
Earnings per share (diluted)	\$ 0.12	\$ 0.21
Book value per share (1)	\$ 0.93	\$ 0.78
Unaudited Pro Forma Combined (2)		
Unaudited pro forma per common share(1)		

Edgar Filing: CAPITAL GOLD CORP - Form POS AM

Earnings per share (basic)	\$	0.07	\$	0.04
Earnings per share (diluted)	\$	0.07	\$	0.03
Book value per share(1)	\$	1.42	\$	N/A(4)

	As of and for the Three Months Ended December 31, 2009	As of and for the Twelve Months Ended September 30, 2009
Comparative per Share Data		
Nayarit – Historical		
Historical per common share:		
Loss per share (basic)	\$ (0.01)	\$ (0.10)
Loss per share (diluted)	\$ (0.01)	\$ (0.10)
Book value per share(1)	\$ 0.07	\$ 0.07
Unaudited Pro Forma Combined (2)(3)		
Unaudited pro forma per common share:		
Earnings per share (basic)	\$ 0.07	\$ 0.03
Earnings per share (diluted)	\$ 0.07	\$ 0.03
Book value per share	\$ 1.42	N/A(4)

(1) The book value per share is computed by dividing total shareholders' equity by the number of shares of common stock issued and outstanding as of December 31, 2009.

(2) The pro forma combined shares outstanding assumes the issuance of 12,099,135 common shares, which is calculated by multiplying 0.134048 by 90,259,548, being the number of shares of Nayarit common stock outstanding on February 10, 2010.

(3) The unaudited pro forma Nayarit per share equivalents are calculated by multiplying the unaudited Capital Gold pro forma combined per share amounts by the exchange ratio of 0.134048.

(4) For the pro forma balance sheet presentation, it was assumed that the merger was completed on January 31, 2010 and, therefore, the pro forma book values for the twelve months ended July 31, 2009 are not presented.

RISK FACTORS

In addition to the other information included in this joint proxy statement/prospectus, Capital Gold and Nayarit stockholders should carefully consider the following risk factors before deciding whether to vote in favor of the matters set forth in this joint proxy statement/prospectus. If any of the risks described below actually occurs, the respective businesses, operating results, financial condition and/or stock prices of Capital Gold, Nayarit or the combined company could be materially adversely affected.

Risks Related to the Business Combination and the Combined Entity

Completion of the Business Combination is subject to a number of conditions.

The obligations of the parties to consummate the Business Combination are subject to the satisfaction or waiver of specified conditions set forth in the Business Combination Agreement. Such conditions include satisfaction by all parties of covenants and obligations contained in the Business Combination Agreement, the accuracy in all material respects on the date of the Business Combination Agreement and the closing date of all of the parties' representations and warranties, obtaining material consents, approval of the regulatory authorities, and stockholder approval, as set forth in the Business Combination Agreement. It is possible some or all of these conditions will not be satisfied or waived by parties to the Business Combination Agreement, and therefore, the Business Combination may not be consummated.

Inaccuracies in projecting operating costs could hinder exploration activity.

Capital and operating cost estimates made in respect of the combined entity's mines and development projects may not prove accurate. Capital and operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Any of the following events, among the other events and uncertainties described in this proxy statement/prospectus, could affect the ultimate accuracy of such estimates; unanticipated changes in grade and tonnage of mineralized material to be mined and processed; incorrect data on which engineering assumptions are made; delay in construction schedules, unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; labor negotiations; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals) and title claims. Failure to accurately project such expenses could adversely affect the combined entity's ability to continue operations.

The exchange ratio is fixed and will not be adjusted in the event of any change in either Capital Gold's or Nayarit's stock price.

The aggregate number of shares to be issued to Nayarit stockholders at closing is fixed in the Business Combination Agreement at 0.134048 shares of Capital Gold common stock for each one share of Nayarit common stock. The exact number of shares of Capital Gold common stock to be issued to holders of Nayarit common stock will be determined immediately prior to the closing, and is currently expected to be 12,099,135. The exchange ratio will not be adjusted for changes in the market price of either Nayarit common stock or Capital Gold common stock. Changes in the price of Capital Gold common stock prior to completion of the Business Combination will affect the purchase price and purchase price allocation that Nayarit stockholders will receive on the date of the Business Combination. Stock price changes may result from a variety of factors (many of which are beyond the control of either Capital Gold or Nayarit), including the following factors:

- changes in Nayarit's and Capital Gold's respective businesses, operations and prospects, or the market assessments thereof;

- market assessments of the likelihood that the Business Combination will be completed, including related considerations regarding regulatory approvals of the Business Combination; and
- general market and economic conditions and other factors generally affecting the price of each of Capital Gold's and Nayarit's common stock.

The price of Capital Gold common stock at the closing of the Business Combination may vary from its price on the date the Business Combination Agreement was executed, on the date of this proxy statement/prospectus and on the date of the stockholders' meetings of Nayarit and Capital Gold. As a result, the market value represented by the exchange ratio will also vary.

Because the date that the Business Combination is completed will be later than the date of the stockholder meetings, at the time of your meeting, you will not know the exact market value of the Capital Gold common stock that Nayarit stockholders will receive upon completion of the Business Combination.

If the price of Capital Gold common stock increases between the date of the stockholder meetings and the Effective Time of the Business Combination, Nayarit stockholders will receive shares of Capital Gold common stock that have a market value that is greater than the market value of such shares on the date of the stockholders meetings. On the other hand, if the price of Capital Gold common stock decreases between the date of the stockholder meetings and the Effective Time of the Business Combination, Nayarit stockholders will receive shares of Capital Gold common stock that have a market value that is less than the market value of such shares on the date of the stockholder meetings. Therefore, because the exchange ratio is fixed, stockholders cannot be sure at the time of the stockholder meetings of the market value of the consideration that will be paid to Nayarit stockholders upon completion of the Business Combination.

Failure to complete the Business Combination could negatively impact the stock prices and the future business and financial results of Capital Gold and Nayarit.

If the Business Combination is not completed, the ongoing businesses of Capital Gold and Nayarit may be adversely affected. Additionally, if the Business Combination is not completed for certain specific reasons described under the caption “The Business Combination”, Capital Gold or Nayarit may be required to pay a termination fee under the Business Combination Agreement of \$1,000,000, and will have to pay certain costs relating to the Business Combination, such as legal, accounting, financial advisor, filing, printing and mailing fees. Any of the foregoing, or other risks arising in connection with the failure of the Business Combination, including the diversion of management attention from pursuing other opportunities during the pendency of the Business Combination, may have an adverse effect on the business, financial results and stock prices of Capital Gold and Nayarit.

Whether or not the Business Combination is completed, the announcement and pendency of the Business Combination could cause disruptions in the businesses of Capital Gold and Nayarit, which could have an adverse effect on their respective businesses, financial results and stock prices.

Whether or not the Amalgamation is completed, the announcement and pendency of the Business Combination could cause disruptions in the businesses of Capital Gold and Nayarit as well as planned or unexpected changes in management. Specifically, managements’ attention has been focused on the Business Combination, which may have diverted managements’ attention from the core business of the respective companies and other opportunities that could have been beneficial to the respective companies. In addition, current and prospective employees of Capital Gold and Nayarit may experience uncertainty about their future roles with Capital Gold following the Business Combination, which may materially and adversely affect the ability of each of Capital Gold and Nayarit to attract and retain key personnel. These disruptions could be exacerbated by a delay in the completion of the Business Combination or termination of the Business Combination Agreement and could have an adverse effect on the business, financial results or stock prices of Capital Gold or Nayarit if the Business Combination is not completed.

The Business Combination Agreement contains provisions that could discourage a potential competing acquirer of either Capital Gold or Nayarit.

The Business Combination Agreement limits the ability of the parties to solicit or entertain alternative Business Combination proposals from third parties and provides that in some circumstances, upon termination of the Business Combination Agreement one of the parties will be required to pay a “break” fee of \$1,000,000 to the other party. These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Capital Gold or Nayarit from considering or proposing that acquisition, even if it were prepared to pay

consideration with a higher per share cash or market value than the market value proposed to be received or realized in the Business Combination, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the \$1,000,000 break fee that may become payable in certain circumstances.

If the Business Combination Agreement is terminated and either Capital Gold or Nayarit determines to seek another Business Combination, it may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Business Combination.

The combined company may not realize the benefits currently anticipated due to challenges associated with integrating the operations of Capital Gold and Nayarit.

The success of the combined company will depend in large part on the success of management of the combined company integrating the operations of Nayarit with those of Capital Gold after the completion of the Business Combination. The failure of the combined company to achieve such integration could result in the failure of the combined company to realize the anticipated benefits of the Business Combination and could impair the results of operations, profitability, and financial results of the combined company.

The overall integration of the operations of Nayarit and Capital Gold may also result in unanticipated operational problems, expenses, liabilities and diversion of management's time and attention.

There can be no assurance that Capital Gold or Nayarit uncovered every item that could have a material adverse effect on the combined company.

Although Capital Gold and Nayarit each conducted respective business, financial and legal due diligence in connection with the proposed Business Combination, there can be no assurance that due diligence uncovered every item that could have a material adverse effect on the combined company. Accordingly, there may be matters involving either or both companies and their respective financial statements that were not identified during their due diligence. Any of these issues could materially and adversely affect the combined company's financial condition.

Uncertainties in management's assessment of Nayarit could cause Capital Gold not to realize the benefits anticipated to result from the Business Combination.

It is possible that, following the Business Combination, uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities of Nayarit could cause Capital Gold not to realize the benefits anticipated to result from the Business Combination.

Fluctuation in the price of gold and base metals could adversely affect the business of the combined entity.

Changes in the market price of gold and base metals, which in the past have fluctuated widely, will affect the profitability of the combined entity's operations and its financial condition. The combined company's profitability and viability will depend on the market price of gold and base metals. The market price of gold and base metals is set in the world market and is affected by numerous industry factors beyond the combined entity's control, including the demand for precious metals, expectations with respect to the rate of inflation, interest rates, currency exchange rates, the demand for jewelry and industrial products containing metals, production levels, inventories, costs of substitutes, changes in global or regional investment or consumption patterns, and sales by central banks and other holders, speculators and producers of gold and other metals in response to any of the above factors, and global and regional political and economic factors. A decline in the market price of gold or other base metals below the combined entity's anticipated production costs for any sustained period would have a material adverse impact on the profit, cash flow and results of operations of the combined company's projects and anticipated future operations. Such a decline also could have a material adverse impact on the ability of the combined company to finance the exploration and development of its existing and future mineral projects, including Nayarit's exploration stage projects. A decline in the market price of gold or other base metals may also require the combined company to write-down its mineral reserves which would have a material adverse effect on the value of Capital Gold's common stock. Further, if revenue from

gold or base metal sales declines, the combined company may experience liquidity difficulties in the future.

Adverse land title claims may affect the combined entity's ability to operate.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although both Capital Gold and Nayarit believe they have taken reasonable measures to ensure proper title to their properties, it is possible that title defects may be raised by third parties. In particular, the amalgamation pursuant to which Nayarit will become a wholly-owned subsidiary of Capital Gold may be considered a transfer of title to Nayarit's properties under applicable Mexican law. When a title transfer (or deemed transfer) takes place, the combined entity's title may be challenged or impaired. Third parties may have valid claims underlying portions of Nayarit's interests, including government licensing requirements or regulations, prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, the combined entity may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

The combined entity will be subject to certain mining risks, which may adversely affect the entity's capital resources.

Mining operations generally involve a high degree of risk. The combined entity's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of gold and base metals, including: unusual and unexpected geologic formations; seismic activity; rock bursts; cave-ins; flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities; damage to life or property; environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure, failure of containment vessels and contamination of the environment by chemicals used in processing ore such as cyanide or the failure to retain dams around tailings disposal areas which may result in environmental pollution and consequent liability. The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the combined entity not receiving an adequate return on invested capital.

The combined company's principal operations will be located in Mexico and are subject to Mexican laws and regulations, and any variation from current regulations or a change in political climate could adversely affect the combined company's ability to conduct its business.

Capital Gold's El Chanate open pit gold mine and mining concessions are located in northern Sonora, Mexico. Capital Gold's Saric project is also located in Mexico. Nayarit's Orion Gold Project is located in the State of Nayarit, Mexico. The combined company's projects and operations are subject to Mexican laws and regulations. Investors should assess the political risks of investing in a foreign country and, more particularly, in Mexico. Variations from the current regulatory, economic and political climate in Mexico could have an adverse effect on the affairs of the combined company.

The combined company's licenses to operate and conduct exploration in Mexico may not be renewed.

For the combined company to carry out mining activities, exploitation licenses in Mexico must be obtained and kept current. There is no guarantee that all of the combined company's exploitation licenses will be extended or that new exploitation licenses will be granted. In addition, such exploitation licenses could be changed and any application to renew any existing licenses may not be approved. The combined company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The combined company also will have to obtain and comply with permits and licenses which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. The combined company's failure to comply with such regulations may adversely impact its ability to continue its exploration operations.

Risks Related to Capital Gold

While Capital Gold believes that it will continue to generate positive cash flow and profits from operations, if it encounters unexpected problems, it may need to raise additional capital. If additional capital is required and Capital Gold is unable to obtain it from outside sources, Capital Gold may be forced to reduce or curtail its operations or its anticipated exploration activities.

Prior to the first fiscal quarter of 2008, Capital Gold was not able to generate cash flow from operations. While it is now generating positive cash flow and profits, if Capital Gold encounters unexpected problems and it is unable to continue to generate positive cash flow and profits, it may need to raise additional capital. Capital Gold also may need to raise additional capital for property acquisition and new exploration. To the extent that Capital Gold needs to obtain additional capital, management intends to raise such funds through the sale of its securities and/or joint venturing with one or more strategic partners. Capital Gold cannot assure that adequate additional funding, if needed, will be available or on terms acceptable to it. If Capital Gold needs additional capital and it is unable to obtain it from outside sources, Capital Gold may be forced to reduce or curtail its operations or its anticipated exploration activities.

Capital Gold's Credit Agreement with Standard Bank plc ("Standard Bank") imposes restrictive covenants on it.

Capital Gold's Credit Agreement with Standard Bank requires it, among other obligations, to meet certain financial covenants including, but not limited to, (i) a ratio of current assets to current liabilities at all times greater than or equal to 1.20:1.00, (ii) a quarterly minimum tangible net worth at all times of at least U.S. \$15,000,000, and (iii) a quarterly average minimum liquidity of U.S. \$500,000. In addition, the Credit Agreement restricts, among other things, Capital Gold's ability to incur additional debt, create liens on its property, dispose of any assets, merge with other companies, enter into hedge agreements, organize or invest in subsidiaries or make any investments above a certain dollar limit. A failure to comply with the restrictions contained in the Credit Agreement could lead to an event of default thereunder which could result in an acceleration of such indebtedness. As a condition to closing the Business Combination, Capital Gold must obtain the consent of Standard Bank.

Capital Gold's mining contractor is using reconditioned equipment which could adversely affect its cost assumptions and its ability to economically and successfully mine the project.

Sinergia Obras Civiles Y Mineras, S.A. de C.V. ("Sinergia"), Capital Gold's mining contractor, is using fully functioning, but older equipment. Such equipment is subject to the risk of more frequent breakdowns and need for repair than new equipment. If the equipment that Capital Gold or Sinergia uses breaks down and needs to be repaired or replaced, Capital Gold will incur additional costs and operations may be delayed, resulting in lower amounts of gold recovered. In such event, Capital Gold's capital and operating cost assumptions may be inaccurate and its ability to economically and successfully mine the El Chanate project may be hampered, resulting in decreased revenues and,

possibly, a loss from operations.

The gold deposit Capital Gold has identified at El Chanate is relatively low-grade. If Capital Gold's estimates and assumptions are inaccurate, its results of operation and financial condition could be materially adversely affected.

The gold deposit Capital Gold is mining at its El Chanate mine is relatively low-grade. If the estimates of ore grade or recovery rates turn out to be lower than the actual ore grade and recovery rates, if costs are higher than expected, or if Capital Gold experiences problems related to the mining, processing, or recovery of gold from ore at the mine, Capital Gold's results of operation and financial condition could be materially adversely affected. Moreover, it is possible that actual costs and economic returns may differ materially from Capital Gold's best estimates. There can be no assurance that Capital Gold's operations at El Chanate will continue to be profitable.

Gold prices can fluctuate on a material and frequent basis due to numerous factors beyond Capital Gold's control. Capital Gold's ability to generate profits from operations could be materially and adversely affected by such fluctuating prices.

The profitability of any gold mining operations in which Capital Gold has an interest will be significantly affected by changes in the market price of gold. Gold prices fluctuate on a daily basis. During the six months ended January 31, 2010, the spot price for gold on the London Exchange has fluctuated between \$870.25 and \$1,212.50 per ounce. Gold prices are affected by numerous factors beyond Capital Gold's control, including:

- industrial and commercial demand for gold,
- the level of interest rates,
- the rate of inflation,
- central bank sales,
- world supply of gold and
- stability of exchange rates.

Each of these factors can cause significant fluctuations in gold prices. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The current significant instability in the financial markets heightens these fluctuations. The price of gold has historically fluctuated widely and, depending on the price of gold, revenues from mining operations may not be sufficient to offset the costs of such operations.

Capital Gold may not be successful in hedging against interest rate fluctuations and may incur mark-to-market losses and lose money through its hedging programs.

Capital Gold has entered into interest rate swap agreements. The terms of Capital Gold's Credit Agreement with Standard Bank require that it hedge at least 50% of its outstanding loan balance. There can be no assurance that Capital Gold will be able to successfully hedge against interest rate fluctuations.

Further, there can be no assurance that the use of hedging techniques will always be to Capital Gold's benefit. Hedging instruments that protect against the market price volatility of metals may prevent Capital Gold from realizing the full benefit from subsequent increases in market prices with respect to covered production, which would cause Capital Gold to record a mark-to-market loss, thus decreasing its profits. Hedging contracts also are subject to the risk that the other party may be unable or unwilling to perform its obligations under these contracts. Any significant nonperformance could have a material adverse effect on Capital Gold's financial condition, results of operations and cash flows.

Capital Gold's material property interests are in Mexico. Risks of doing business in a foreign country could adversely affect its results of operations and financial condition.

Capital Gold faces risks normally associated with any conduct of business in a foreign country with respect to its El Chanate Project in Sonora, Mexico, including various levels of political and economic risk. The occurrence of one or more of these events could have a material adverse impact on Capital Gold's efforts or operations which, in turn, could have a material adverse impact on its cash flows, earnings, results of operations and financial condition. These risks

include the following:

- labor disputes,
- invalidity of governmental orders,
- uncertain or unpredictable political, legal and economic environments,
- war and civil disturbances,

- changes in laws or policies,
- taxation,
- delays in obtaining or the inability to obtain necessary governmental permits,
- governmental seizure of land or mining claims,
- limitations on ownership,
- limitations on the repatriation of earnings,
- increased financial costs,
- import and export regulations, including restrictions on the export of gold, and
- foreign exchange controls.

These risks may limit or disrupt Capital Gold's projects, restrict the movement of funds or impair contract rights or result in the taking of property by nationalization or expropriation without fair compensation.

Capital Gold sells gold in U.S. dollars; however, it incurs a significant amount of its expenses in Mexican pesos. If applicable currency exchange rates fluctuate, Capital Gold's revenues and results of operations may be materially and adversely affected.

Capital Gold sells gold in U.S. dollars. It incurs a significant amount of its expenses in Mexican pesos. As a result, Capital Gold's financial performance would be affected by fluctuations in the value of the Mexican peso to the U.S. dollar.

Changes in regulatory policy could adversely affect Capital Gold's exploration and future production activities.

Any changes in government policy may result in changes to laws affecting:

- ownership of assets,
- land tenure,
- mining policies,
- monetary policies,
- taxation,
- rates of exchange,
- environmental regulations,
- labor relations,

- repatriation of income and/or
- return of capital.

Any such changes may affect Capital Gold's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility, particularly in Mexico, that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

As Capital Gold currently does not enter into forward sales, commodity, derivatives or hedging arrangements with respect to its future gold production, it is exposed to the impact of any significant decrease in the gold price.

As a general rule, Capital Gold sells its gold at the prevailing market price. Currently, Capital Gold generally does not enter into forward sales, commodity, derivative or hedging arrangements to establish a price in advance for the sale of future gold production, although it may do so in the future. As a result, Capital Gold may realize the benefit of any short-term increase in the gold price, but is not protected against decreases in the gold price, and if the gold price decreases significantly, Capital Gold's revenues may be materially adversely affected.

Compliance with environmental regulations could adversely affect Capital Gold's exploration and future production activities.

With respect to environmental regulation, future environmental legislation could require:

- stricter standards and enforcement,
- increased fines and penalties for non-compliance,
- more stringent environmental assessments of proposed projects and
- a heightened degree of responsibility for companies and their officers, directors and employees.

There can be no assurance that future changes to environmental legislation and related regulations, if any, will not adversely affect Capital Gold's operations. Capital Gold could be held liable for environmental hazards that exist on the properties in which it holds interests, whether caused by previous or existing owners or operators of the properties. Any such liability could adversely affect its business and financial condition.

Capital Gold has and the combined entity will have insurance against losses or liabilities that could arise from its operations. If it incurs material losses or liabilities in excess of its insurance coverage, its financial position could be materially and adversely affected.

Mining operations involve a number of risks and hazards, including:

- environmental hazards,
- industrial accidents,
- metallurgical and other processing,
- acts of God, and/or
- mechanical equipment and facility performance problems.

Such risks could result in:

- damage to, or destruction of, mineral properties or production facilities,
 - personal injury or death,
 - environmental damage,
 - delays in mining,
 - monetary losses, and/or
 - possible legal liability.

Industrial accidents could have a material adverse effect on Capital Gold's future business and operations. Capital Gold currently maintains general liability, business interruption, auto and property insurance coverage. Capital Gold cannot be certain that the insurance it has in place will cover all of the risks associated with mining or that it will be able to maintain insurance to cover these risks at economically feasible premiums. Capital Gold also might become subject to liability for pollution or other hazards which it cannot insure against or which it may elect not to insure against because of premium costs or other reasons. Losses from such events may have a material adverse effect on Capital Gold's financial position.

Calculation of reserves and metal recovery dedicated to future production is not exact, might not be accurate and might not accurately reflect the economic viability of Capital Gold's properties.

Reserve estimates may not be accurate. There is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades being dedicated to future production. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on metal prices. Any material change in the quantity of reserves, resource grade or stripping ratio may affect the economic viability of Capital Gold's properties. In addition, there can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production.

Capital Gold is dependent on the efforts of certain key personnel and contractors to develop Capital Gold's El Chanate Project. If Capital Gold loses the services of these persons and contractors and it is unable to replace them, Capital Gold's operations at its El Chanate Project may be disrupted and/or materially adversely affected.

Capital Gold is dependent on a relatively small number of key personnel, including but not limited to John Brownlie, President and Chief Operating Officer, who, among other duties, oversees the El Chanate Project, Christopher Chipman, Chief Financial Officer, and Scott Hazlitt, Vice President—Mine Development. The loss of any one of Capital Gold's key personnel could have an adverse effect on Capital Gold. Mr. Brownlie will resign from his position as President and Chief Operating Officer effective upon the closing of the Business Combination. Although the Board of Directors is actively seeking a Chief Executive Officer of Capital Gold, there can be no assurance that Mr. Brownlie's resignation will not have an adverse effect on Capital Gold. Capital Gold also is dependent upon Sinergia to provide mining services. Sinergia commenced mining operations on March 25, 2007, and transitioned from the pre-production to production phase of the mining contract in July 2007. Sinergia's mining fleet is not new. If Capital Gold loses the services of its key personnel, or if Sinergia is unable to effectively maintain its fleet, operations at its El Chanate Project may be disrupted and/or materially adversely affected.

There are uncertainties as to title matters in the mining industry. Capital Gold believes that it has good title to its properties; however, any defects in such title that cause Capital Gold to lose its rights in mineral properties could jeopardize its business operations.

Capital Gold has investigated its rights to explore, exploit and develop its concessions in manners consistent with industry practice and, to the best of Capital Gold's knowledge, those rights are in good standing. However, Capital Gold cannot assure that the title to or its rights of ownership in the El Chanate concessions will not be challenged by third parties or governmental agencies. In addition, there can be no assurance that the concessions in which Capital Gold has an interest are not subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects. Any such defects could have a material adverse effect on Capital Gold.

Capital Gold's ability to maintain long-term profitability eventually will depend on its ability to find, explore and develop additional properties. Capital Gold's ability to acquire such additional properties could be hindered by competition. If Capital Gold is unable to acquire, develop and economically mine additional properties, it most likely will not be able to be profitable on a long-term basis.

Gold is a non-renewable resource and gold mines continue to deplete their reserves while in operation. They eventually become depleted of ore or become uneconomical to sustain mining operations. The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources and larger staffs for exploration and development may be in a better position than Capital Gold to compete for such mineral properties. If Capital Gold is unable to find, develop and economically mine new properties, Capital Gold most likely will not be able to be profitable on a long-term basis.

Capital Gold's ability on a going forward basis to discover additional viable and economic mineral reserves is subject to numerous factors, most of which are beyond Capital Gold's control and are not predictable. If Capital Gold is unable to discover such reserves, it most likely will not be able to be profitable on a long-term basis.

Exploration for gold is speculative in nature, involves many risks and is frequently unsuccessful. Few properties that are explored are ultimately developed into commercially producing mines. As noted above, Capital Gold's long-term profitability will be, in part, directly related to the cost and success of exploration programs. Any gold exploration program entails risks relating to:

- the location of economic ore bodies,
 - development of appropriate metallurgical processes,
 - receipt of necessary governmental approvals, and
- construction of mining and processing facilities at any site chosen for mining.
- The commercial viability of a mineral deposit is dependent on a number of factors including:
 - the price of gold,
 - the particular attributes of the deposit, such as its
 - o size
 - o grade, and
 - o proximity to infrastructure,
 - financing costs,
 - taxation,
 - royalties,
 - land use,
 - water use,
 - power use,
 - importing and exporting gold, and
 - environmental protection.

The effect of these factors cannot be accurately predicted.

Risks Related to Ownership of Capital Gold Stock

The issuance of a significant number of Capital Gold shares could adversely affect the market price of Capital Gold shares.

If the Business Combination is completed, a significant number of additional shares of Capital Gold common stock will be available for trading in the public market. The increase in the number of Capital Gold shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Capital Gold shares.

The NYSE AMEX may delist Capital Gold's securities from its exchange which could limit investors' ability to make transactions in Capital Gold's common stock and subject it to additional trading restrictions.

Capital Gold's common stock is listed on the NYSE AMEX, a national securities exchange. Although Capital Gold expects to continue to meet the minimum continued listing standards, it cannot assure you that its securities will continue to be listed on the NYSE AMEX in the future.

If the NYSE AMEX delists Capital Gold's common shares from trading on its exchange, Capital Gold could face significant material adverse consequences, including:

- a limited availability for market quotations for Capital Gold's common stock;
- reduced liquidity with respect to Capital Gold's common stock;
- a determination that Capital Gold's common stock is a "penny stock," which will require brokers trading in the common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for Capital Gold's common stock;
- limited amount of news and analyst coverage for Capital Gold's common stock; and

- a decreased ability to issue additional securities or obtain additional financing in the future.

In addition, Capital Gold would no longer be subject to NYSE AMEX rules, including rules requiring Capital Gold to have a certain number of independent directors and to meet other corporate governance standards.

Capital Gold's stock price may be adversely affected if a significant amount of shares, including those issued to the Nayarit stockholders, are sold in the public market.

As of the date of this joint proxy statement/prospectus, approximately 2,542,476 shares of Capital Gold's common stock, constituted "restricted securities" as defined in Rule 144 under the Securities Act of 1933 and could be resold pursuant to an exemption from registration afforded by Rule 144. In addition, Capital Gold has registered herein 18,148,476 shares of common stock, including common shares issuable upon the exercise of warrants and options of Nayarit. All of the foregoing shares, assuming exercise of all of the above options and warrants, would represent in excess of 27% of the then outstanding shares of Capital Gold's common stock. Registration of the shares permits the sale of the shares in the open market or in privately negotiated transactions without compliance with the requirements of Rule 144. To the extent the exercise price of the warrants or options is less than the market price of the common stock, the holders of the warrants are likely to exercise them and sell the underlying shares of common stock. Capital Gold also may issue shares to be used to meet its capital requirements or use shares to compensate employees, consultants and/or directors. Capital Gold is unable to estimate the amount, timing or nature of future sales of outstanding common stock. Sales of substantial amounts of Capital Gold's common stock in the public market could cause the market price for the common stock to decrease.

Furthermore, a decline in the price of Capital Gold's common stock would likely impede its ability to raise capital through the issuance of additional shares of common stock or other equity securities.

Capital Gold does not intend to pay cash dividends in the near future.

Capital Gold's board of directors determines whether to pay cash dividends on its issued and outstanding shares. The declaration of dividends will depend upon Capital Gold's future earnings, its capital requirements, its financial condition and other relevant factors. Capital Gold's board does not intend to declare any dividends on its shares for the foreseeable future. Capital Gold anticipates that it will retain any earnings to finance the growth of its business and for general corporate purposes.

Capital Gold's stockholders will experience immediate dilution as a consequence of the issuance of shares of Capital Gold's common stock as consideration in the Business Combination. Having a minority share position may reduce the influence that Capital Gold's current stockholders have on the management of Capital Gold.

Based on the number of shares of Nayarit common stock outstanding on February 10, 2010, Capital Gold expects to issue approximately 12,099,135 shares of its common stock in the Business Combination to Nayarit's current stockholders and to assume warrants and options to purchase an additional approximately 4,830,938 and 1,218,403 shares of Capital Gold common stock held by Nayarit's warrant and option holders, respectively. Based on the number of outstanding shares of Nayarit common stock and Capital Gold common stock, after the Amalgamation, the current stockholders of Nayarit would own approximately 19.97% of Capital Gold. Consequently, the ability of the current stockholders of Capital Gold following the Business Combination to influence management of Capital Gold through the election of directors will be substantially reduced.

If the Business Combination's benefits do not meet the expectations of financial or industry analysts, the market price of Capital Gold's securities may decline.

The market price of Capital Gold's securities may decline prior to or after the consummation of the Business Combination if:

- the Company does not achieve the perceived benefits of the Business Combination as rapidly, or to the extent anticipated by, financial or industry analysts; or
- the effect of the Business Combination on Capital Gold's financial results is not consistent with the expectations of financial or industry analysts.

Accordingly, investors may experience a loss as a result of a decline in the market price of Capital Gold's securities. A decline in the market price of Capital Gold's securities also could adversely affect its ability to issue additional securities and its ability to obtain additional financing in the future.

THE BUSINESS COMBINATION

The following summary describes the material provisions of the Business Combination Agreement, as amended. The provisions of the Business Combination Agreement are complicated and not easily summarized. This summary may not contain all of the information about the Business Combination Agreement, as amended that is important to you. The following summary is qualified in its entirety by reference to the complete text of the Business Combination Agreement. The Business Combination Agreement is attached to this joint proxy statement/prospectus as Annex I and is incorporated by reference into this joint proxy statement/prospectus, and we encourage you to read it carefully in its entirety for a more complete understanding of the Business Combination Agreement and the Business Combination.

The Business Combination Agreement, as amended has been included to provide information regarding the terms of the transaction. Except for its status as the contractual document that establishes and governs the legal relations among Capital Gold and Nayarit with respect to the Business Combination the Amendment, the Business Combination Agreement is not intended to be a source of factual, business or operational information about the parties.

The Business Combination Agreement, as amended contains representations, warranties and covenants that the respective parties made to each other as of the date of the Business Combination or other specific dates. The assertions embodied in those representations, warranties and covenants were made for purposes of the contract among the respective parties and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating the Business Combination. The representations, warranties and covenants in the Business Combination Agreement, as amended are also modified in important part by the underlying disclosure schedules, which are not filed publicly and which are subject to a contractual standard of materiality different from that generally applicable to stockholders, and were used for the purpose of allocating risk among the parties rather than establishing matters of fact. The parties do not believe that these schedules contain information that is material to the vote on the proposals at the respective Special Meetings of Capital Gold and Nayarit.

Overview and Structure of the Business Combination, as Amended

The Business Combination Agreement, as Amended, sets forth, among other things:

- representation and warranties of the parties as to, among other things, the organization, corporate power and authority, authorization and validity of the Business Combination Agreement and, as relevant, other agreements contemplated therein, the receipt of any necessary consents, approvals and permits, the accuracy of certain information, and other matters;
- conditions to be satisfied or waived on or before the Business Combination Closing Date, to each party's obligation to consummate the Business Combination on the Business Combination Closing Date;
- covenants regarding conduct of business prior to the Business Combination Closing Date and other matters; and
- circumstances under which the Business Combination Agreement may be terminated prior to closing of the Business Combination on the Business Combination Closing Date.

On April 29, 2010, the parties to the Business Combination Agreement entered into Amendment No. 1 to the Business Combination Agreement, pursuant to which, among other things, the provisions with respect to John Brownlie continuing as President and Chief Operating Officer and serving as a member of the Board of Directors were eliminated.

Edgar Filing: CAPITAL GOLD CORP - Form POS AM

Forms of the following additional agreements contemplated in connection with the Business Combination are attached to the form of the Business Combination Agreement included in this proxy statement/prospectus:

- The form of Amalgamation Agreement between Nayarit and “MergerSub” as defined below to form AmalgSub (as defined below) as a wholly owned subsidiary of Capital Gold; and
- Lock Up Agreements between Capital Gold and each of Colin Sutherland and Bradley Langille pursuant to which they each agree not to sell or otherwise dispose of Capital Gold shares and securities received by them as stockholders and option holders of Nayarit.

Pursuant to the terms of the Business Combination Agreement, as amended Capital Gold and Nayarit agreed to effect an amalgamation (the “Amalgamation”) of Nayarit and a corporation, to be organized under the Ontario Act as a wholly-owned subsidiary of Capital Gold (“Merger Sub”), to form a combined entity (“AmalgSub”). By virtue of the Amalgamation, the separate existence of each of Nayarit and Merger Sub shall cease, and AmalgSub, shall continue its corporate existence under the Ontario Act as a wholly-owned subsidiary of Capital Gold. In connection with the Amalgamation, and without any action on the part of Nayarit or the holders of any securities of Nayarit, all of the Nayarit Common Shares issued and outstanding immediately prior to the consummation of the Amalgamation (other than Nayarit Common Shares held by dissenting stockholders of Nayarit) shall become exchangeable into the common stock of Capital Gold on the basis of 0.134048 shares of Capital Gold common stock for each one (1) Nayarit Common Share (the “Amalgamation Consideration”).

Accounting Treatment of the Amalgamation

The Capital Gold and Nayarit amalgamation will be accounted for under the acquisition method of accounting. Capital Gold is the acquirer and will utilize the acquisition method of accounting which is based on Accounting Standards Codification, or ASC, Topic 805, Business Combinations, or ASC 805 and uses the fair value concepts defined in ASC 820, Fair Value Measurements and Disclosures.

Regulatory Approvals

Capital Gold and Nayarit do not believe that the Business Combination is subject to the reporting obligations, statutory waiting periods or other approvals of any government or regulatory agency or body other than addressing comments raised by the Securities and Exchange Commission, or SEC, with respect to this proxy statement/prospectus and the Toronto Stock Exchange and the TSX Venture Exchange.

Closing and Effective Time of the Amalgamation

The Amalgamation is expected to be consummated promptly following the satisfaction or waiver of the conditions described below under the subsection entitled “Conditions to Closing of the Amalgamation,” unless Capital Gold and Nayarit agree in writing to hold the closing at another time but in no event will such time be later than 140 days after the date of the Business Combination Agreement.

The Effective Time of the Amalgamation will occur concurrently with the filing of articles of amalgamation with the Ontario Ministry of Government Services (Companies and Personal Property Security Branch) and the issuance of a certificate of amalgamation therefor.

Conditions to Closing of the Amalgamation

The obligations of the parties to the Business Combination Agreement to consummate the Amalgamation are subject to the satisfaction (or waiver by the other party) of the following specified conditions set forth in the Business Combination Agreement before consummation of the Amalgamation:

- (i) Capital Gold’s stockholders have approved the Business Combination Agreement and the issuance of the Amalgamation Consideration;
- (ii) Nayarit’s stockholders have approved the Business Combination Agreement;
- (iii) If applicable, the required waiting period under any domestic or foreign anti-trust laws has expired or been terminated;

- (iv) All governmental authority approvals and third party consents required in connection with the transactions contemplated by the Business Combination Agreement have been obtained or made;
- (v) A registration statement with respect to the Amalgamation Consideration shall have been declared effective by the SEC and no stop order suspending the effectiveness of such registration statement is in effect;
- (vi) No governmental authority has enacted, issued, promulgated, enforced or entered any law or order that has the effect of making the Amalgamation illegal or otherwise preventing or prohibiting consummation of the Amalgamation;
- (vii) Final versions of Capital Gold's disclosure schedules and Nayarit's disclosure schedules have been delivered and are final, true, correct and complete; and
- (viii) No pending action exists against any of the parties to the Business Combination Agreement, or against any of their respective officers, directors, assets or properties, which could be reasonably be expected to have a material adverse effect.

The obligations of Capital Gold to consummate the Amalgamation are subject to various additional closing conditions (unless waived by Capital Gold):

- (i) The accuracy in all respects on the date of the Business Combination Agreement and the Effective Time of all of the representations and warranties of Nayarit;
- (ii) The performance in all material respects of all covenants and obligations required to be performed by or complied with by Nayarit at or prior to the Effective Time;
- (iii) The delivery to Capital Gold by Nayarit of an officer's certificate evidencing the accuracy of the representations and warranties made by Nayarit and its subsidiaries and certifying the performance of the covenants or obligations required to be performed by Nayarit;

- (iv) The delivery to Capital Gold by Nayarit of a secretary's certificate certifying the resolutions of the board of directors of Nayarit authorizing the execution of the Business Combination Agreement and the transaction contemplated thereby;
- (v) No material adverse effect with respect to Nayarit's business shall have occurred since the date of the Business Combination Agreement;
- (vi) The receipt by Capital Gold of a satisfactory opinion from legal counsel to Nayarit;
- (vii) The receipt by Capital Gold of a satisfactory title opinion from mining counsel to Nayarit;
- (viii) The receipt of lockup agreements from Colin Sutherland and Bradley Langille;
- (ix) The filing by Nayarit with the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") all financial statements that are required pursuant to applicable Canadian laws;
- (x) Holders of no more than 5% of the Nayarit Common Shares vote against the Amalgamation and exercise dissent rights under the Ontario Act;
- (xi) The receipt by Capital Gold of a final report from SRK Consulting concerning Nayarit's assets and properties and such final report shall not be materially different from the preliminary SRK Consulting report provided to Capital Gold;
- (xii) The resignation of the respective directors and officers of Nayarit and its subsidiaries except for those directors and officers continuing in their capacities after the Effective Time;
- (xiii) All convertible securities of Nayarit and options to purchase Nayarit Common Shares outstanding prior to the Effective Time shall provide for the issuance of Capital Gold common stock on the exchange basis set forth in the Business Combination Agreement;
- (xiv) The receipt by Capital Gold of a fairness opinion with respect to the transactions contemplated by the Business Combination Agreement from the advisors to Capital Gold, if deemed necessary by the board of directors of Capital Gold;
- (xv) The receipt by Nayarit of a fairness opinion with respect to the transactions contemplated by the Business Combination Agreement from the advisors to Nayarit;
- (xvi) The termination of the employment agreements between Nayarit and each of Colin Sutherland and Bradley Langille without payment by Nayarit of any change of control payments; and
- (xvii) The receipt by Capital Gold of a certificate from SRK Consulting certifying Nayarit's representations and warranties regarding Nayarit's mining properties and assets.

The obligations of Nayarit to consummate the Amalgamation are subject to various additional closing conditions (unless waived by Nayarit):

- (i) The accuracy in all respects on the date of the Business Combination Agreement and the Effective Time of all of representations and warranties of Capital Gold;

- (ii) The performance in all material respects of all covenants and obligations required to be performed by or complied with by Capital Gold at or prior to the Effective Time;
- (iii) The delivery to Nayarit by Capital Gold of an officer's certificate evidencing the accuracy of the representations or warranties made by Capital Gold and certifying the performance of the covenants or obligations required to be performed by Capital Gold;
- (iv) The delivery to Nayarit by Capital Gold of a secretary's certificate certifying the resolutions of the board of directors of Capital Gold authorizing the execution of the Business Combination Agreement and the transaction contemplated thereby;
- (v) No material adverse effect with respect to Capital Gold's business shall have occurred since the date of the Business Combination Agreement;
- (vi) The receipt by Nayarit of a satisfactory opinion from legal counsel to Capital Gold;
- (vii) The resignation of the directors and officers of Capital Gold except for those directors and officers continuing in their capacities after the Effective Time;

(viii) Capital Gold has entered into an agreement with an exchange agent with respect to the exchange of the certificates evidencing Nayarit Common Shares for the Amalgamation Consideration; and

(ix) The receipt by Nayarit of a satisfactory title opinion from mining counsel to Capital Gold.

Representations and Warranties of Capital Gold and Nayarit in the Business Combination Agreement

The Business Combination Agreement contains a number of representations that each of Capital Gold and Nayarit have made to each other. The representations and warranties contained in the Business Combination Agreement were made for purposes of the Business Combination Agreement and are subject to qualifications and limitations agreed to by the respective parties in connection with negotiating the terms of the Business Combination Agreement. In addition, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from what might be viewed as material to stockholders or may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts.

Further, the representations and warranties are qualified by information in confidential disclosure schedules delivered by the respective parties together with the Business Combination Agreement. While Capital Gold and Nayarit do not believe these schedules contain information for which the securities laws require public disclosure, other than information that has already been so disclosed, the disclosure schedules do contain information that modify, qualify and create exceptions to the representations, warranties and covenants set forth in the Business Combination Agreement.

This description of the representations and warranties, and their reproduction in the copy of the Business Combination Agreement attached to this joint proxy statement/prospectus as Annex I, are included solely to provide stockholders with information regarding the terms of the Business Combination Agreement. Accordingly, the representations and warranties and other provisions of the Business Combination Agreement should not be read alone and should not be relied on as statements of true fact, but instead should only be read together with the information provided elsewhere in this joint proxy statement/prospectus. See “Where You Can Find More Information.”

Covenants of the Parties

Among other covenants, Capital Gold and Nayarit have agreed to during the period from the date of the Business Combination Agreement until the earlier of the termination of the Business Combination Agreement or the closing of the Amalgamation, unless the other party gives written consent to the contrary,

- (i) conduct their respective business in all material respects in the ordinary course of business consistent with past practice;
- (ii) use commercially reasonable efforts to preserve intact, in all material respects, their respective business organizations, to keep available the services of their respective and their respective subsidiaries' managers, directors, officers, key employees and consultants;
- (iii) keep all of their respective mineral rights, permits and contracts in good standing and in full force and effect; and
- (iv) comply with all laws in the conduct of their respective business.

Non-Solicitation

Each of Capital Gold and Nayarit have agreed, from the date of the Business Combination Agreement until the earlier of the Effective Time or termination of the Business Combination Agreement that it shall not, as more specifically set forth in the Business Combination Agreement, solicit, furnish information in connection with or in response to, engage in discussions as to, or take action in furtherance of an Acquisition Proposal (as defined in the Agreement).

Indemnification Provisions

From the date of the Business Combination Agreement through the Effective Time, each of Capital Gold and Nayarit (each of which is referred to as a party and for the purpose of this description of the indemnification provisions, the “indemnifying party”), have agreed to indemnify and hold the other party (and its affiliates, and its or their successors and assigns and respective directors, officers, employees and agents), harmless from and against any liability, claim (including claims by third parties), demand, judgment, loss, cost, damage, or expense whatsoever (including reasonable attorneys’, consultants’ and other professional fees and disbursements of every kind, nature and description) that arise from (i) any breach of any representation, warranty, covenant or agreement of such indemnifying party contained in the Business Combination Agreement and (ii) any negligence, willful misconduct or fraud committed by the indemnifying party in connection with the execution, delivery and performance of the Business Combination Agreement.

Termination

The Business Combination Agreement may be terminated at any time prior to the earlier of the Effective Time, notwithstanding the approval by the stockholders of Capital Gold and Nayarit, as follows:

- (i) by mutual written consent of Capital Gold and Nayarit, as duly authorized by their respective board of directors;
- (ii) by either Capital Gold and Nayarit if (A) the closing conditions in the Business Combination Agreement have not been satisfied by the other party by 120 days after the date of the Business Combination Agreement (the “Completion Deadline”); or (B) any governmental authority shall have enacted, issued, promulgated, enforced or entered any order or law that has the effect of enjoining or otherwise preventing or prohibiting the Amalgamation (unless the foregoing was the result of the prospective terminating party’s breach of the Business Combination Agreement, in which case the prospective terminating party may not terminate pursuant to this provision);
- (iii) by Capital Gold if (A) there has been a material breach of any representation, warranty, covenant or agreement on the part of Nayarit, or any representation or warranty of Nayarit shall have become untrue or inaccurate, which breach or untrue representation or warranty is incapable of being cured prior to the closing or is not cured within 20 days of notice of such breach or inaccuracy, or (B) any of the conditions to closing are unsatisfied by Nayarit by the Completion Deadline, provided, however that Capital Gold may not terminate pursuant to this provision if it has materially breached the Business Combination Agreement and such breach caused the closing conditions not to be satisfied; or
- (iv) by Nayarit if (A) there has been a material breach of any representation, warranty, covenant or agreement on the part of Capital Gold, or any representation or warranty of Capital Gold shall have become untrue or inaccurate, which breach or untrue representation or warranty is incapable of being cured prior to the closing or is not cured within 20 days of notice of such breach or inaccuracy, or (B) any of the conditions to closing are unsatisfied by Capital Gold by the Completion Deadline, provided, however Nayarit may not terminate pursuant to this provision if it has materially breached the Business Combination Agreement and such breach caused the closing conditions not to be satisfied.

Effect of Termination

If the Business Combination Agreement is terminated, neither party shall have any liability to the other party except for liability for the Break Fee (as defined below) or fraud or a breach of representation, warranty or covenant prior to termination as specifically set forth in the Business Combination Agreement, and all rights and obligations of the parties pursuant to the Business Combination Agreement shall cease, except as specifically set forth in the Business

Combination Agreement.

Break Fee

The Business Combination provides that a “break fee” of \$1 million (the “Break Fee”) will be payable in the event that the Business Combination is not consummated because certain specified events have occurred. Such events that would trigger payment of the Break Fee are as follows. If either Capital Gold or Nayarit, through no fault of the other party, fails to consummate the Business Combination as a result of the decision by one of their boards of directors to change its recommendation to its stockholders to approve the Business Combination, the party whose board changed its recommendation would be obligated to pay the other party the Break Fee. If Nayarit accepts an acquisition proposal from a third party for its stock or material assets (an “Acquisition Proposal”), then Nayarit would be obligated to pay the Break Fee. If Capital Gold’s or Nayarit’s action or inaction, through no fault of the other party, results in the termination of the Business Combination Agreement by the other party pursuant to termination provisions of the Business Combination Agreement, then the party that failed to so progress and consummate the Business Combination would be obligated to pay the other party the Break Fee. Finally, if either the required Nayarit stockholder approval vote or the Capital Gold stockholder approval vote is not obtained following the public announcement of an Acquisition Proposal, then the defaulting party would be obligated to pay to the other party the Break Fee.

Amendment to the Business Combination Agreement

On April 29, 2010, Capital Gold and Nayarit entered into an Amendment to the Business Combination Agreement, pursuant to which, among other things, it amended the provision with respect to the officers and board of directors of Capital Gold subsequent to the closing of the Business Combination. Specifically, because John Brownlie, Capital Gold’s current President and Chief Operating Officer, tendered his resignation to be effective at the closing of the Business Combination, those provisions were amended to reflect such resignation.

COMPARISON OF RIGHTS OF NAYARIT STOCKHOLDERS AND CAPITAL GOLD STOCKHOLDERS

Nayarit is incorporated under the laws of the Province of Ontario, Canada. Capital Gold is incorporated under the laws of Delaware. As a result of the Business Combination, the stockholders of Nayarit will become stockholders of Capital Gold. As stockholders of Nayarit, their rights are currently governed by the Ontario Business Corporations Act and by Nayarit's articles of association, as amended, and its by-laws. Following the Business Combination, the rights of stockholders of Nayarit will be governed by the Delaware General Corporation Law, or the DGCL, and by Capital Gold's certificate of incorporation, as amended, and its by-laws. The following discussion summarizes the material differences between Nayarit's certificate of incorporation and by-laws, as amended, and Capital Gold's certificate of incorporation and by-laws, as amended, and between the provisions of Ontario law and Delaware law affecting stockholder rights. This section does not include a complete description of all differences between the rights of these holders, nor does it include a complete description of the specific rights of these holders. In addition, the identification of some of the differences in the rights of these holders as material is not intended to indicate that other differences that are equally important do not exist.

Authorized Capital

Nayarit. The total number of authorized common shares of Nayarit is unlimited no par value. There are no shares of Nayarit preferred stock authorized or outstanding.

Capital Gold. The total number of authorized shares of Capital Gold is 75,000,000 shares of common stock, par value \$0.0001 per share. There are no shares of preferred stock authorized or outstanding.

Number and Election of Directors

Nayarit. The Board of Directors currently consists of five (5) members. Nayarit's articles of association provide that there shall be a minimum of three (3) and a maximum of ten (10) directors, with the number of directors to be fixed from time to time by resolution of the Board of Directors.

Capital Gold. The Board of Directors currently consists of four (4) members. The Capital Gold by-laws provide the number of the directors of the corporation shall be not less than three (3) nor more than ten (10), unless and until otherwise determined by vote of a majority of the entire Board of Directors.

Removal of Directors

Nayarit. Nayarit's articles of association provide that any director may be removed before the expiration of his or her term, at any annual or special meeting of stockholders, by the affirmative vote of at least a majority of stockholders entitled to vote in the election of directors.

Capital Gold. Under Delaware law, any director or the entire board of directors of a Delaware corporation may be removed with or without cause by the holders of a majority of the shares then entitled to vote at an election of directors.

Filling Vacancies on the Board of Directors

Nayarit. Subject to the laws of Ontario, Nayarit's bylaws provide that a vacancy on the Board of Directors may be filled by the affirmative vote of the majority of the Board, except in the event a vacancy resulted from an increase in the number of directors, an increase in the maximum number of directors or from a failure of the stockholders to elect

the minimum number of Directors.

Capital Gold. The Capital Gold bylaws provide that any vacancy in the Board of Directors occurring by reason of an increase in the number of directors, or by reason of the death, resignation, disqualification, removal (unless a vacancy created by the removal of a director by the stockholders shall be filled by the stockholders at the meeting at which the removal was effected) or inability to act of any director, or otherwise, shall be filled for the unexpired portion of the term by a majority vote of the remaining directors, though less than a quorum, at any regular meeting or special meeting of the Board of Directors called for that purpose.

Stockholder Meetings and Provisions for Notices; Proxies

Nayarit. Pursuant to Nayarit's by-laws, the annual meeting of its stockholders may be held at any place in or outside of Ontario as the Board of Directors determines, or in the absence of such determination, at the registered office of Nayarit. The Board of Directors may also determine the date of the annual meeting. The Board may also, at any time, call a special meeting of the stockholders of Nayarit. Notice must be given not less than 21 days, and not more than 50 days, in advance. Notice for a special meeting must include the nature of the business to be transacted and the text of any special resolution to be submitted to the meeting.

Notice may be waived by any stockholder or person entitled to attend the meeting. Attendance by any person at a meeting shall still constitute waiver unless such person attends a meeting for the express purpose of objecting to the transaction of business on the grounds that the meeting is not lawfully called. Accidental omission of notice to any individual entitled to attend a meeting shall not invalidate the proceedings taken or resolutions passed at any meeting of the stockholders.

Every Nayarit stockholder entitled to vote at stockholder meetings may appoint a proxyholder to vote, attend and act at stockholder meetings. Proxies are valid for one year.

Capital Gold. Capital Gold's by-laws provide that all meetings of the stockholders shall be held at the principal office of the corporation, or at other places as shall be designated in the notices or waivers of notice of such meetings.

Under Capital Gold's by-laws, written notice stating the time when and place where the meeting is to be held must be served either personally or by mail no less than 10 days and no more than 50 days before the date of such annual or special meeting to each stockholder entitled to vote at the meeting unless otherwise required by law. For special meetings, the purpose or purposes for such meeting must also be stated in the notice.

Under Delaware law, no proxy shall be valid after three years from the date of its execution, unless the proxy provides for a longer period.

Quorum and Voting by Stockholders

Nayarit. Nayarit's by-laws provide that the holders of a majority of the shares entitled to vote at a meeting of stockholders, whether present or represented by proxy, constitutes a quorum.

Capital Gold. Capital Gold's by-laws provide that the presence at the commencement of the meeting in person or by proxy of stockholders holding of record a majority of the total number of shares then issued and outstanding shall constitute a quorum at any such meeting of stockholders.

Capital Gold's by-laws provide that directors are elected by a plurality of the votes cast at a meeting by holders of shares, present in person or by proxy, at the meeting and entitled to vote on the election of directors, and except as otherwise required by law, Capital Gold's certificate of incorporation as amended, or Capital Gold's bylaws, all other matters shall be determined by a majority of the votes cast, at any meeting at which a quorum is present.

Stockholder Action Without a Meeting

Nayarit. Nayarit's by-laws provide that any stockholder action permitted by law, the articles of organization or the bylaws to be taken at a meeting of stockholders may be taken without a meeting, if a unanimous written consent setting forth the action so taken is signed by all of Nayarit's stockholders entitled to vote.

Capital Gold. Capital Gold's by-laws provide that any resolution in writing, signed by all stockholders entitled to vote thereon, shall be and constitute action by the stockholders with the same effect as if it had been duly passed by unanimous vote at a duly called meeting of stockholders.

Amendment of Certificate or Articles of Incorporation

Nayarit. Under the Ontario Act, any change to the articles of a corporation must be approved by special resolution. A “special resolution” is a resolution passed by a majority of not less than two-thirds of the votes cast by the stockholders who voted in respect of that resolution, or signed by all the stockholders entitled to vote on that resolution. If a proposed amendment requires approval by special resolution, the holders of shares of a class (or of a series of a class, if the proposed amendment would affect such series differently from the other series of shares of such class) are entitled to vote separately as a class or series if the proposed amendment affects the class or series as specified in the Ontario Act, whether or not the class or series otherwise carries the right to vote.

Capital Gold. Capital Gold’s certificate of incorporation does not contain any special provisions regarding approval of amendments to the certificate of incorporation. Under the DGCL, an amendment to the certificate of incorporation requires that the board of directors approve the amendment, declare it advisable and submit it to stockholders for adoption. Such amendment must be adopted by a majority in voting power of all issued and outstanding shares and any greater vote required by the certificate of incorporation. Except in limited circumstances, any proposed amendment to the certificate of incorporation that would increase or decrease the authorized shares of a class of stock, increase or decrease the par value of the shares of a class of stock, or alter or change the powers, preferences or special rights of the shares of a class of stock (so as to affect them adversely) requires approval of the holders of a majority of the outstanding shares of the affected class, voting as a separate class, in addition to the approval of a majority of the shares entitled to vote on that proposed amendment. If any proposed amendment would alter or change the powers, preferences or special rights of any series of a class of stock so as to affect them adversely, but does not affect the entire class, then only the shares of the series affected by the proposed amendment is considered a separate class for purposes of the immediately preceding sentence.

Amendment of By-laws

Nayarit. Nayarit’s by-laws may be amended or repealed, or rescinded by either the stockholders or by the Board of Directors. Nayarit’s Board may repeal, alter, amend or rescind its bylaws by a majority vote at a duly called and held Board meeting or by the unanimous written consent of the Board of Directors subject to confirmation by a majority of the votes cast by holders of voting shares at the next meeting of shareholders.

Capital Gold. Capital Gold’s by-laws provide that the board is expressly authorized to adopt, amend or repeal the by-laws provided however, that the stockholders entitled to vote with respect thereto may alter, amend or repeal bylaws made by the Board of Directors except that the Board of Directors shall have no power to change the quorum for meetings of stockholders or of the Board of Directors or to change any provisions of the by-laws with respect to the removal of directors or the filling of vacancies in the Board resulting from the removal by the stockholders. The Company’s by-laws also provide that all by-laws may be altered or repealed and new by-laws may be made by the affirmative vote of stockholders holding of record at least a majority of the outstanding shares entitled to vote in the election of directors at any annual or special meeting of stockholders, provided that the notice or waiver of notice of such meeting shall have summarized or set forth in full therein, the proposed amendment.

Anti-Takeover Statutes

Nayarit. Such matters as take-over bids, issuer bids or self tenders, going-private transactions and transactions with directors, officers, significant stockholders and other related parties to which Nayarit is a party are subject to regulation by Canadian provincial securities legislation and administrative policies and rules of Canadian securities administrators. Such legislation and administrative policies and rules will continue to apply to Capital Gold after the Business Combination. Such legislation and administrative policies and rules may impose stockholder approval requirements separate and apart from the Ontario Act.

Capital Gold. The provisions of Delaware law relating to Business Combinations do not apply to a corporation if, among other things, the certificate of incorporation or bylaws of the corporation contain a provision expressly electing not to be governed by the provisions of the statute or the corporation does not have voting stock listed on a national securities exchange or held of record by more than 2,000 stockholders.

Capital Gold has not “opted out” of the Delaware laws relating to Business Combinations.

Under certain provisions of Delaware law, a corporation may not engage in certain transactions with an “interested stockholder.” For purposes of this provision, an “interested stockholder” generally means any person who, together with its affiliates or associates, directly or indirectly owns 15% or more of the outstanding voting stock of the corporation. These provisions prohibit certain Business Combinations between an interested stockholder and a corporation for a period of three years following the date that the stockholder acquired its stock unless:

- prior to the stockholder becoming an interested stockholder, the board of directors of the corporation approved the Business Combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding shares held by directors who are also officers and shares held by certain employee stock plans) in which such stockholder became an interested stockholder; or
- the Business Combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Limitation of Liability and Indemnification of Directors and Officers

Nayarit. Nayarit’s by-laws provide that it shall indemnify a director or officer, a former director or officer, or a person who acts or acted at Nayarit’s request as a director or officer of a body corporate of which Nayarit is or was a stockholder or creditor and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of Nayarit or such body corporate, if:

- he acted honestly and in good faith with a view to the best interests of Nayarit; and
- in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

Capital Gold. Capital Gold’s certificate of incorporation, as amended, provides that no director of the corporation shall be personally liable to Capital Gold or its stockholders for monetary damages for breach of fiduciary duty as a director, except for a breach of fiduciary duties unless the breach involves: (1) a director’s duty of loyalty to the corporation or its stockholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) liability for unlawful payments of dividends or unlawful stock purchases or redemption by the corporation; or (4) a transaction from which the director derived an improper personal benefit. Capital Gold’s certificate of incorporation, as amended also provides that the corporation shall indemnify all persons whom it may indemnify pursuant to Section 145 of the General Corporation Law of Delaware or otherwise.

Appraisal/Dissenter’s Rights

Nayarit. Registered stockholders of Nayarit are entitled to dissent from the Business Combination Proposal in the manner provided in section 185 of the Ontario Act. Section 185 of the Ontario Act is reprinted in its entirety and attached to this proxy statement/prospectus as Annex II. In the event that the Business Combination is approved by the stockholders of Nayarit and the Business Combination is effected, registered stockholders of Nayarit will be entitled to be paid the fair value of their Nayarit Shares as of the effective time of the closing of the Business Combination. A registered Nayarit Stockholder who wishes to exercise Dissent Rights must send a Dissent Notice to Nayarit, such that it is received by Nayarit not later than 4:00 p.m. (Toronto time) on the business day immediately

preceding the day of the Nayarit Special Meeting (or any postponement or adjournment thereof), at Nayarit Gold Inc., 76 Temple Terrace, Suite 150, Lower Sackville, Nova Scotia B4C 0A7. Attention: Megan Spidle. See “Special Meeting of Stockholders of Nayarit – Nayarit’s Stockholders’ Dissenter Rights” herein.

Capital Gold. Under Delaware law, Capital Gold stockholders do not have appraisal rights with respect to shares of any class or series of stock if such shares are (1) listed on a national securities exchange or (2) held by more than 2,000 stockholders of record, unless the stockholders receive in exchange for their shares anything other than shares of stock of the surviving or acquiring entity, or depository receipts in respect thereof, or shares of stock, or depository receipts in respect of any other entity that is publicly listed or held by more than 2,000 holders, or cash in lieu of fractional shares or fractional depository receipts described above, or a combination of the foregoing. Since Capital Gold stockholders will not exchange their shares in the Business Combination for any other security, under Delaware law, Capital Gold stockholders are not entitled to appraisal rights in connection with the Business Combination.

Dividends

Neither Capital Gold nor Nayarit currently pays dividends. Under the terms of the Business Combination Agreement, neither Capital Gold nor Nayarit may declare, set aside or pay any dividends with respect to their capital stock prior to the Effective Date of the Amalgamation or the termination of the Business Combination Agreement. After completion of the Amalgamation, former Nayarit shareholders who hold the Capital Gold common stock they received as part of the Amalgamation Consideration will receive whatever dividends are declared and paid on Capital Gold common stock following the Amalgamation. There can be no assurance that any dividends will be declared or paid by Capital Gold or as to the amount or timing of such dividends, if any. Any future dividends will be made at the discretion of the Capital Gold Board of Directors. Until Nayarit stockholders have provided to the exchange agent your signed letter of transmittal and any other items specified by the letter of transmittal with respect to their shares of Nayarit common stock, any dividends or other distributions declared after the Effective Time of the Amalgamation with respect to Capital Gold common stock into which the Nayarit common stock may have been converted will accrue but will not be paid with respect to such shares. Capital Gold will pay to former Nayarit shareholders any unpaid dividends or other distributions, without interest, only after they have duly surrendered their Nayarit stock certificates.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, heretofore filed by us with the Commission pursuant to the Exchange Act, are hereby incorporated by reference, except as superseded or modified herein:

1. Our Annual Report on Form 10-K for the fiscal year ended July 31, 2009.
2. Our Quarterly Report on Form 10-Q, as amended, for the quarter ended January 31, 2010
3. Our report on Form 8-K filed with the SEC on September 3, 2009.
4. Our report on Form 8-K filed with the SEC on September 18, 2009.
5. Our report on Form 8-K filed with the SEC on September 23, 2009.
6. Our report on Form 8-K filed with the SEC on October 29, 2009.
7. Our report on Form 8-K filed with the SEC on November 6, 2009.
8. Our report on Form 8-K filed with the SEC on January 22, 2010.
9. Our report on Form 8-K filed with the SEC on February 11, 2010.
10. Our report on Form 8-KA filed with the SEC on March 22, 2010.
11. Our proxy statement on Schedule 14A filed on Schedule 14A on December 14, 2009
12. A description of our common stock contained in Form 8-A filed on February 1, 2010.

Each document filed subsequent to the date of this prospectus pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering shall be deemed to be incorporated by reference in this prospectus and shall be part hereof from the date of filing of such document.

All documents filed by the registrant after the date of filing the initial registration statement on Form S-4 of which this prospectus forms a part and prior to the effectiveness of such registration statement pursuant to Section 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 shall be deemed to be incorporated by reference into this prospectus and to be part hereof from the date of filing of such documents.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this proxy statement/prospectus that are not purely historical are forward-looking statements. The forward-looking statements include, but are not limited to, statements regarding Capital Gold's, Nayarit's or their respective management's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipates," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predicts," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this proxy statement/prospectus may include, for example, statements about Capital Gold's and Nayarit's:

- ability to complete the Business Combination;
- the benefits of the Business Combination;
- potential of exploration assets in Mexico;
- adverse capital and credit market conditions and their impact on our liquidity, access to capital and cost of capital;
 - changes in the combined company's financial strength and the effect of such changes on future results of operations and financial condition;
 - general economic conditions or a prolonged economic downturn affecting the mining industry;
 - fluctuations in U.S. or foreign currency exchange rates, interest rates, or securities and real estate markets;
 - the stability of and actions by governments and economies in the markets in which both companies operate;
 - competitive factors and competitors' responses to initiatives;
- the threat of natural disasters, catastrophes, terrorist attacks, epidemics or pandemics anywhere in the world where Capital Gold operates or does business; and
- other risks and uncertainties described under the caption "Risk Factors" and in other filings with the SEC in the case of Capital Gold, and with the Ontario Securities Commission in the case of Nayarit.

All forward-looking statements included herein attributable to Capital Gold, Nayarit or any person acting on either party's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, Capital Gold and Nayarit do not undertake any obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Before you grant your proxy or instruct how your vote should be cast or vote on the approval of the Business Combination, you should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in this joint proxy statement/prospectus could have a material adverse effect on Capital Gold, Nayarit or the combined entity, now or upon completion of the Business Combination.

SPECIAL MEETING OF STOCKHOLDERS OF CAPITAL GOLD

General

Capital Gold is furnishing this proxy statement/prospectus to its stockholders as part of the solicitation of proxies by its Board of Directors for use at the Special Meeting of Stockholders of Capital Gold, to be held on at 10 a.m. local time on July 2, 2010 at Bayards, One Hanover Square, New York City, New York, 10004, and at any adjournment or postponement thereof (the “Capital Gold Special Meeting”). This proxy statement/prospectus is first being furnished to Capital Gold stockholders on or about June 10, 2010. This proxy statement/prospectus provides you with information you need to know to be able to vote or instruct your vote to be cast at the Capital Gold Special Meeting.

Date, Time and Place

The Capital Gold Special Meeting will be held at 10 a.m. local time on July 5, 2010 at Bayards, One Hanover Square, New York City, New York, 10004, or such other date, time and place to which such meeting may be adjourned or postponed.

Purpose of the Special Meeting of Stockholders

At the Capital Gold Special Meeting, Capital Gold will ask holders of its common stock to consider and vote upon the following proposals:

- (1) The Business Combination Proposal—to adopt a business combination agreement (the “Business Combination Agreement”) dated as of February 10, 2010 as amended on April 29, 2010 (the “Amendment”) by and among Capital Gold and Nayarit, pursuant to which Capital Gold will issue approximately 12,099,135 shares of its common stock to stockholders of Nayarit and reserve for issuance an additional approximately 4,830,938 and 1,218,403 shares of its common stock for the exercise warrants and options of Nayarit, respectively, and Nayarit will become a wholly-owned subsidiary of Capital Gold (the “Business Combination”); and
- (2) The Stockholder Adjournment Proposal—to consider and vote upon the adjournment of the Capital Gold Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, at the time of the special meeting, it appears Capital Gold cannot consummate the transactions contemplated by the Business Combination (the “Stockholder Adjournment Proposal”); and
- (3) Such other procedural matters as may properly come before the Capital Gold Special Meeting or any adjournment or postponement thereof.

Recommendation of Capital Gold’s Board of Directors to Stockholders

After careful consideration of each of the proposals, Capital Gold’s Board of Directors has determined unanimously that each of them is fair to, and in the best interests of, Capital Gold and its stockholders and unanimously recommends that the stockholders vote or instruct their vote to be cast “FOR” the Business Combination Proposal and the Stockholder Adjournment Proposal.

Record Date; Who is Entitled to Vote

You will be entitled to vote or direct votes to be cast at the Capital Gold Special Meeting if you owned shares of Capital Gold’s common stock at the close of business on May 5, 2010, which Capital Gold has fixed as the record date for the Capital Gold Special Meeting. You are entitled to one vote for each share of common stock of Capital Gold

you owned at the close of business on the record date. On the record date, there were 48,497,173 shares of common stock of Capital Gold outstanding.

Quorum and Required Vote for Stockholder Proposals

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present at the Capital Gold Special Meeting at the commencement of the Special Meeting if Stockholders holding of record a majority of the total number of shares of common stock issued and outstanding and entitled to vote at the Capital Gold Special Meeting are represented in person or by proxy. Abstentions and broker non-votes will count as present for the purposes of establishing a quorum.

The approval of the Business Combination Proposal requires the affirmative vote of the majority of the common stock of Capital Gold voted at the Capital Gold Special Meeting at which a quorum is present.

The approval of the Stockholder Adjournment Proposal requires the affirmative vote of a majority of the common stock of Capital Gold issued and outstanding as of the record date voted at the Capital Gold Special Meeting.

Abstentions and Broker Non-Votes

Under the rules of various national and regional securities exchanges, your broker, bank or nominee cannot vote your warrants or shares with respect to non-discretionary matters unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank or nominee. Capital Gold believes the Business Combination Proposal presented to stockholders will be considered non-discretionary and therefore your broker, bank or nominee cannot vote your shares without your instruction. If you do not provide instructions with your proxy, your broker, bank or nominee may deliver a proxy card expressly indicating that it is NOT voting your shares, as the case may be. This indication that a broker, bank or nominee is not voting your shares is referred to as a “broker non-vote.”

Abstentions will have no effect on the Business Combination Proposal or the Stockholder Adjournment Proposal. Broker non-votes, while considered present for the purposes of establishing a quorum, will have no effect on the Business Combination Proposal or the Stockholder Adjournment Proposal.

Voting Your Shares of Common Stock

Each share of Common Stock you own in your name entitles you to one vote on the applicable proposals. Your one or more proxy cards show the number of shares, as the case may be, you own. There are two ways to vote your shares:

- You can vote by signing and returning the enclosed proxy card. If you vote by proxy card, your “proxy,” whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card but do not give instructions on how to vote your shares, your shares will be voted, as recommended by the Capital Gold Board of Directors, “FOR” the Business Combination Proposal” and “FOR” the Stockholder Adjournment Proposal.
- You can attend the Capital Gold Special Meeting and vote in person. Capital Gold will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee in order to vote your shares, at the Capital Gold Special Meeting. That is the only way Capital Gold can be sure that the broker, bank or nominee has not already voted your shares.

Revoking Your Proxy

If you give a proxy, you may revoke it at any time before the Capital Gold Special Meeting, or at the Capital Gold Special Meeting by doing any one of the following:

- You may send another proxy card with a later date;
- You may notify Christopher Chipman, Capital Gold’s Secretary, in writing before the Capital Gold Special Meeting, that you have revoked your proxy; or
- You may attend the Capital Gold Special Meeting, revoke your proxy, and vote in person, as indicated above.

No Additional Matters May Be Presented at the Special Meeting

The Capital Gold Special Meeting has been called only to consider the Business Combination Proposal and the Stockholder Adjournment Proposal. Under Capital Gold's bylaws, other than procedural matters incident to the conduct of the Capital Gold Special Meetings, no other matters may be considered if they are not included in the notice of the Capital Gold Special Meeting.

Who Can Answer Your Questions About Voting Your Capital Gold Shares

If you have any questions about how to vote or direct a vote in respect of your Capital Gold shares, you may call Capital Gold's Chief Financial Officer, Christopher Chipman, at (212) 344-5158.

Appraisal Rights

No appraisal rights are available under the DGCL to the stockholders of Capital Gold in connection with the proposals set forth herein.

Proxy Solicitation Costs

Capital Gold is soliciting proxies on behalf of its Board of Directors. All solicitation costs will be paid by Capital Gold. This solicitation is being made by mail but also may be made by telephone or in person. Capital Gold and its directors, officers and employees may also solicit proxies in person, by telephone or by other electronic means, including email and facsimile.

The Company has hired MacKenzie Partners, Inc to assist in the proxy solicitation process. It will pay that firm a fee of \$12,500 plus disbursements for out-of-pocket expenses.

Capital Gold will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. Capital Gold will reimburse them for their reasonable expenses.

Vote of the Management of Capital Gold

As of the record date for the Capital Gold Special Meeting, Capital Gold's officers and directors beneficially owned and were entitled to vote an aggregate of 1,908,475 shares of common stock, which means Capital Gold's officers and directors own an aggregate of approximately 3.8% of the outstanding shares of common stock. The officers and directors of Capital Gold have indicated that they intend to vote such shares in favor of all proposals presented at the Capital Gold Special Meeting.

PROPOSALS TO BE CONSIDERED BY CAPITAL GOLD STOCKHOLDERS

PROPOSAL NO. 1

THE BUSINESS COMBINATION PROPOSAL

The discussion in this joint proxy statement/prospectus of the Business Combination Proposal and the principal terms of the Business Combination Agreement are subject to, and is qualified in its entirety by reference to, the Business Combination Agreement, which is attached as Annex I to this joint proxy statement/prospectus.

General Description of the Transaction

The respective Boards of Directors of Capital Gold and Nayarit have approved a business combination agreement between Capital Gold and Nayarit dated February 10, 2010 (the “Business Combination Agreement”) as amended on April 29, 2010 (the “Amendment”) that would effect the amalgamation of Nayarit with a to be formed corporation as a wholly owned Canadian subsidiary of Capital Gold. If the Business Combination is approved by the stockholders of both companies, the parties intend to effect an amalgamation (the “Amalgamation”) of Nayarit and a corporation, to be organized under the Ontario Act as a wholly-owned subsidiary of Capital Gold (“Merger Sub”), to form a combined entity (“AmalgSub”). By virtue of the Amalgamation, the separate existence of each of Nayarit and Merger Sub shall thereupon cease, and AmalgSub shall continue its corporate existence under the Ontario Act as a wholly-owned subsidiary of Capital Gold.

The parties to the Business Combination Agreement intend to consummate the Amalgamation as promptly as practicable after the special meetings of the stockholders of Capital Gold and Nayarit, provided that:

- Capital Gold’s stockholders have approved the Business Combination Agreement and the issuance of the Amalgamation Consideration;
- Nayarit’s stockholders have adopted the Business Combination Agreement and approved the transactions contemplated thereby, including the Amalgamation;
- holders of no more than 5% of the Nayarit shares vote against the Amalgamation and exercised dissent rights under the Ontario Act;
- the SEC has declared effective Capital Gold’s registration statement of which this proxy statement/prospectus is a part; and
 - the other conditions specified in the Business Combination Agreement have been satisfied or waived.

For more information, see the section entitled “The Business Combination” beginning on page 30. The Business Combination Agreement is included as Annex I to this joint proxy statement/prospectus The Amendment is included in Annex I as well. You are encouraged to read the Business Combination Agreement in its entirety.

Background of the Business Combination

The terms of the Business Combination are the result of arms-length negotiations between representatives of Capital Gold and Nayarit. The following is a discussion of the background of these negotiations, the Business Combination and related transactions.

In early December 2008, John Brownlie and Scott Hazlitt, President and Vice President—Mine Development of Capital Gold, respectively, held an initial meeting with Colin Sutherland and Bradley Langille, President and strategic consultant to Nayarit and scheduled a site visit to Nayarit's properties in Mexico which occurred the same month.

During the ensuing twelve months, Capital Gold explored several other opportunities, two of which proceeded to a confidentiality agreement and a letter of intent but none of which opportunities were pursued or consummated.

On December 10, 2009, Mr. Brownlie, Mr. Sutherland, Mr. Langille and David Badner, an advisor to Nayarit, met in San Francisco, California, to discuss the potential merger of Capital Gold and Nayarit during which management from both companies provided overviews of their respective businesses. The meeting outlined the process for moving toward a letter of intent, which included discussions around the exchange ratio, management positions, and overall strategy beyond the transaction. It was discussed that Nayarit should proceed to finalizing the Preliminary Economic Assessment in order to provide the financial basis for the Orion Project.

During the period December 12, 2009 through December 16, 2009 Mr. Brownlie held various telephonic discussions with principals of Nayarit concerning the content of a proposed letter of intent.

On December 17, 2009, Capital Gold and Nayarit executed a letter of intent.

On January 14, 2010 Capital Gold and its counsel, Ellenoff Grossman & Schole LLP (“EG&S”), provided a draft Business Combination Agreement to Nayarit and its counsel, Dennis H. Peterson, of Peterson Law Professional Corporation. Subsequently, Messrs. Brownlie, Langille, Sutherland and Badner held various discussions and conference calls to negotiate the terms of the Business Combination Agreement.

On January 19, 2010, the Capital Gold Board of Directors met to discuss and consider Capital Gold’s acquisition of Nayarit. Mr. Brownlie provided an overview of the proposed transaction including the material terms. The Board of Directors discussed the various components of the proposed transaction including the composition of the board and management of Nayarit. Mr. Barry Grossman and Ms. Sarah Williams, both of EG&S, counsel to Capital Gold, discussed certain relevant issues, including the regulatory approval process, the accounting treatment and tax issues with respect to the transaction. Ms. Williams gave an overview of the stockholder approval requirements. Senior management and the Board of Directors discussed the benefits and various transaction risks related to the proposed acquisition. The Board of Directors then resolved to proceed with drafting documents to effect the Nayarit acquisition on the terms set forth in the letter of intent, subject to further input by the Board.

On January 20, 2010 and January 21, 2010, Mr. Brownlie and Mr. Sutherland, Mr. Grossman and Ms. Williams, and Christopher Chipman, Chief Financial Officer of Capital Gold met in New York to discuss the terms and conditions of the definitive agreement and outlined the items which required further negotiation and clarification.

On February 10, 2010 Capital Gold’s Board of Directors met to discuss and approve terms of the proposed Business Combination Agreement. Jennings Capital, financial advisor to Capital Gold, provided an overview of the proposed transaction. Subsequent to these discussions Capital Gold and Nayarit executed the Business Combination Agreement and an acknowledgement regarding each party’s completion of its due diligence.

Prior to the opening of the financial markets on February 11, 2010, Capital Gold and Nayarit issued a joint press release announcing the execution of the Business Combination Agreement.

On March 8, 2010, Capital Gold announced that it had completed its due diligence regarding the Nayarit Business Combination.

Capital Gold’s Board of Directors’ Reasons for Approval of the Business Combination

Capital Gold’s Board of Directors concluded that the Business Combination is fair to, and in the best interests of, Capital Gold and its stockholders and that the consideration to be paid in the Business Combination is fair to Capital Gold and its stockholders. Capital Gold’s management conducted a due diligence review of Nayarit that included an industry analysis, an evaluation of Nayarit’s existing business, a valuation analysis and financial projections in order to enable the Board of Directors to evaluate Nayarit’s business and financial condition and prospects.

Capital Gold’s Board of Directors considered Nayarit’s properties, various industry and financial data, including certain financial analyses developed by Capital Gold and metrics compiled by Capital Gold’s management in evaluating the consideration to be paid by Capital Gold in the Business Combination.

In considering the Business Combination, Capital Gold’s Board of Directors gave considerable weight to the following favorable factors:

- Exploration and Development. The Business Combination will enhance the combined company's ability to grow and secure additional capital resources to continue exploration and development of Nayarit's Orion Project and Capital Gold's El Chanate Project, enhancing long term value for stockholders;
- Visibility as a Mid-Tier Producer. The combined company has the potential to be recognized as a significant mid-tier producer in Latin America, with the possibility that further growth opportunities will follow;
- Strong Management Team. The combination of Capital Gold and Nayarit's management will create a management team with complementary skills in exploration, business and projected development and operations;
- Potential synergies. The strategic fit and complementary nature of Nayarit and Capital Gold's respective assets and operations in Mexico;
 - Market exposure. Nayarit's investor following in Canada together with Capital Gold's following as an NYSE AMEX listed issuer will provide enhanced market exposure to the combined company; and
- Stockholder liquidity. Increased market capitalization and a broader stockholder base resulting from the merger should improve trading liquidity for stockholders.

Capital Gold's Board of Directors believes the above factors strongly supported its determination and recommendation to approve the Business Combination. Capital Gold's Board of Directors did, however, consider the following potentially negative factors, among others, including the risk factors set forth elsewhere in this joint proxy statement/prospectus, in its deliberations concerning the Business Combination:

- Uncertain regulatory environment. The potential for scrutiny or increased regulation by the Government of Mexico;
- Interests of officers and directors. Interests in the Business Combination that certain officers and directors of Capital Gold may have which are different from, or in addition to, the interests of the Capital Gold stockholders generally, including the matters described under "Proposals to be Considered by Capital Gold Stockholders— The Business Combination Proposal—Certain Benefits of the Directors and Officers and Others in the Transaction";
- Limitations on indemnification. The limitations on indemnification set forth in the Business Combination Agreement described in "The Business Combination";
- Dilution to interests of stockholders. Control of Nayarit's current stockholders of a significant percentage of Capital Gold's issued shares after the Business Combination;
- Regulatory issues. The impact of changes in or additional licensing or other regulations affecting operations in Mexico and the mining industry generally;
- Fixed exchange rate. The exchange rate is fixed, and as a result, the Capital Gold shares issued on consummation of the Business Combination Agreement may have a market value different than at the time of the announcement of the Business Combination;
- Conditions to closing. The Business Combination Agreement is subject to several conditions and because there can be no certainty that these conditions may be satisfied or waived, the Business Combination may not be successfully completed, which could negatively impact upon both companies;
-

Termination rights. The Business Combination Agreement may be terminated by either Capital Gold or Nayarit in certain circumstances in which case the market prices for the Capital Gold or Nayarit shares may be adversely affected; and

- Limitations on other opportunities. The Business Combination Agreement significantly limits the ability of either party to pursue other Business Combination opportunities until the transaction is completed.

This discussion of the information and factors considered by the Board of Directors of Capital Gold includes the principal positive and negative factors considered by the Board of Directors, but is not intended to be exhaustive and may not include all of the factors considered by the Board of Directors of Capital Gold. The Board of Directors of Capital Gold did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination that Business Combination Agreement and Business Combination proposal are advisable and in the best interests of Capital Gold and its stockholders. Rather, the Board of Directors of Capital Gold viewed its position and recommendation as being based on the totality of the information presented to it and the factors it considered. In addition, individual members of the Board of Directors of Capital Gold may have given differing weights to different factors. It should be noted that this explanation of the reasoning of the Board of Directors of Capital Gold and certain information presented in this section is forward-looking in nature and, therefore, that information should be read in light of the factors discussed in the section entitled “Cautionary Note Regarding Forward-Looking Statements” in this joint proxy statement/prospectus.

Terms of the Business Combination Agreement

Capital Gold’s Board of Directors believes the terms of the Business Combination, including the closing conditions, are customary and reasonable. It was important to Capital Gold’s Board of Directors that the Business Combination include customary terms and conditions as it believed such terms and conditions would allow for a more efficient closing process and lower transaction expenses.

Certain Benefits of the Directors and Officers and Others in the Business Combination

When you consider the recommendation of the Capital Gold Board of Directors in favor of approval of the Business Combination, you should keep in mind that Capital Gold directors and officers have interests in the Business Combination that are different from, or in addition to, your interests as a stockholder. These interests include, among other things:

- It is currently anticipated that Messrs. Cooper, Cutler, Sojka, each a current director of Capital Gold, a nominee of Nayarit, and a nominee of Capital Gold will serve as directors of Capital Gold following the Business Combination and that John Brownlie will resign as President and Chief Operating Officer of Capital Gold and Bradley Langille and Colin Sutherland will join Capital Gold as senior officers.
- For a period of thirty-six (36) months following the Effective Time of the Business Combination, Capital Gold and Nayarit have agreed that they shall cause their nominees on the Board of Directors to execute and deliver an undertaking whereby such nominees agree to: (i) nominate the foregoing individuals for re-election at each annual meeting of the stockholders of Capital Gold; and (ii) cause any successors chosen by such nominees to comply with the foregoing provision at each annual meeting of the stockholders of Capital Gold.
- As a condition to closing the Business Combination, Capital Gold and Nayarit have agreed that the employment agreements between Nayarit, on one hand, and each of Colin Sutherland and Bradley Langille, on the other hand, shall either have been (i) terminated prior to the Effective Date in accordance with the terms thereof, including payment of all termination payments prescribed therein (except for any payments relating to the change of control of Nayarit), or (ii) terminated with no payment of change of control benefits in consideration for the execution of a new employment agreement with Capital Gold on terms comparable to the other senior officers of Capital Gold.

Contact Information for Capital Gold

Any request for information from Capital Gold may be sent to:

Christopher Chipman, Chief Financial Officer & Secretary
Capital Gold Corporation
76 Beaver Street, 14th Floor
New York, New York 10005
Telephone: (212) 344-2785

Required Vote

The approval of the Business Combination Proposal requires the affirmative vote of the majority of the shares issued and outstanding as of the record date voted at the Capital Gold Special Meeting.

Recommendation of Capital Gold's Board of Directors

CAPITAL GOLD'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE BUSINESS COMBINATION PROPOSAL.

PROPOSAL NO. 2

THE STOCKHOLDER ADJOURNMENT PROPOSAL

Purpose

The Stockholder Adjournment Proposal, if adopted, will allow Capital Gold's Board of Directors to adjourn the Capital Gold Special Meeting to a later date or dates to permit further solicitation and vote of proxies if at the time of the Special Meeting it appears that Capital Gold cannot complete the Business Combination.

Consequences if the Stockholder Adjournment Proposal is Not Approved

If the Stockholder Adjournment Proposal is not approved by Capital Gold's stockholders, the Board of Directors may not be able to adjourn the Capital Gold Special Meeting to a later date even if, based on the tabulated votes, there are not sufficient votes at the time of the Capital Gold Special Meeting to approve the transactions contemplated by the Business Combination or it otherwise appears at the time of the Capital Gold Special Meeting that Capital Gold cannot complete the Business Combination.

Required Vote

Approval of the Stockholder Adjournment Proposal requires the affirmative vote of the holders of a majority of the votes cast at the Capital Gold Special Meeting. Such action may be taken despite the absence of a quorum. A broker non-vote will have no effect on the outcome of the Stockholder Adjournment Proposal. An abstention will have the same effect as a vote against the Stockholder Adjournment Proposal.

Approval of the Stockholder Adjournment Proposal is not conditioned upon the adoption of any of the other proposals.

Recommendation of Capital Gold's Board of Directors

CAPITAL GOLD'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT CAPITAL GOLD STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE STOCKHOLDER ADJOURNMENT PROPOSAL.

SPECIAL MEETING OF STOCKHOLDERS OF NAYARIT

General

As described earlier in this joint proxy statement/prospectus, Nayarit is furnishing this joint proxy statement/prospectus to its stockholders as part of the solicitation of proxies by its Board of Directors for use at the Nayarit Special Meeting of Stockholders, to be held on July 12, 2010, and at any adjournment or postponement thereof. This joint proxy statement/prospectus is first being furnished to Nayarit stockholders on or about June 17, 2010. This joint proxy statement/prospectus provides you with information you need to know to be able to vote or instruct your vote to be cast at the Nayarit Special Meeting of Stockholders.

Date, Time and Place

The Nayarit Special Meeting will be held at 10:00 a.m., Eastern time, on July 12, 2010, at 76 Temple Terrace, Lower Sackville, Nova Scotia, B4C 0A7, or such other date, time and place to which such meeting may be adjourned or postponed.

Purpose of the Special Meeting of Stockholders

At the Special Meeting of Stockholders, Nayarit will ask holders of its common stock to consider and vote upon the following proposals:

- (1) The Business Combination Proposal—to adopt the business combination agreement, including the amalgamation agreement annexed thereto (the “Business Combination Agreement”) dated as of February 10, 2010 as amended on April 29, 2010 (the “Amendment”) by and among the Nayarit and Capital Gold, pursuant to which Nayarit will amalgamate with a to be formed wholly-owned subsidiary of Capital Gold and the stockholders and holders of other securities of Nayarit will receive securities of Capital Gold in exchange for the securities of Nayarit that they hold as of the record date for the transaction, as more fully described in this joint proxy statement/prospectus (the “Business Combination”); and
- (2) Such other procedural matters as may properly come before the Nayarit Special Meeting of Stockholders or any adjournment or postponement thereof.

The Business Combination Agreement and the Amendment is described in detail in this joint proxy statement/prospectus under the caption “The Business Combination” and the Business Combination is described generally under the captions “Questions and Answers For All Stockholders About the Business Combination Proposals” and “Summary.” A complete copy of the Business Combination Agreement and the Amendment is included in this proxy statement/prospectus as Annex I.

Recommendation of Nayarit’s Board of Directors to Stockholders

Nayarit’s Board of Directors has unanimously approved the Business Combination Agreement and the Amendment and unanimously recommends that the stockholders vote or instruct their vote to be cast “FOR” the Business Combination Proposal.

In reaching its decision to approve the Business Combination Agreement and the Amendment and recommend the Business Combination Proposal to its stockholders, Nayarit’s Board of Directors consulted with its management, as well as legal and financial advisors, and considered a number of factors, including those listed below.

Expected Strategic Benefits of the Business Combination Proposal

- **Visibility as a Mid-Tier Producer.** The combined company has the potential to be recognized as a significant mid-tier producer in Latin America, with the possibility that further growth opportunities will follow.
- **Exploration and Development.** The Business Combination will enhance the combined company's ability to grow and secure additional capital resources to continue exploration and development of the Orion Project and Capital Gold's El Chanate Project, enhancing long term value for Nayarit's stockholders.
- **Stockholder Liquidity.** Increased market capitalization and a broader stockholder base resulting from the Amalgamation should improve trading liquidity for Nayarit stockholders.

- **Mining Operations.** Capital Gold has mining operations at its El Chanate open pit mine in Sonora, Mexico. As part of the combined company, revenue from operations would reduce Nayarit's dependency on capital markets for working capital.
- **Market Exposure.** Capital Gold is an NYSE AMEX listed issuer and the combination will provide enhanced market exposure to Nayarit's stockholders.
- **Strong Management Team.** The combination of Capital Gold's and Nayarit's management will create a management team with complementary skills in exploration, business and projected development and operations.
- **Potential synergies.** The strategic fit and complementary nature of Nayarit's and Capital Gold's respective assets in Mexico and the related potential impact on the combined company's earnings.

The Board of Directors of Nayarit weighed these factors against a number of other factors identified in its deliberation as weighing negatively against the Amalgamation, including:

- **Fixed exchange rate** – the currency exchange rate is fixed, and as a result, the Capital Gold shares issued on consummation of the Business Combination Agreement may have a market value different than at the time of the announcement of the Amalgamation.
- **Conditions to closing** – the Business Combination Agreement is subject to several conditions and because there can be no certainty that these conditions may be satisfied or waived, the Business Combination may not be successfully completed.
- **Termination rights** – the Business Combination Agreement may be terminated by either Nayarit or Capital Gold in certain circumstances, in which case the market prices for Nayarit shares may be adversely affected.
- **Limitations on other opportunities** – the Business Combination Agreement substantially limits any outside opportunities Nayarit might otherwise have with other potential combination parties.

This discussion of the information and factors considered by the Board of Directors of Nayarit includes the principal positive and negative factors considered by the Board of Directors, but is not intended to be exhaustive and may not include all of the factors considered by the Board of Directors of Nayarit. The Board of Directors of Nayarit did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination that Business Combination Agreement and Business Combination proposal are advisable and in the best interests of Nayarit and its stockholders. Rather, the Board of Directors of Nayarit viewed its position and recommendation as being based on the totality of the information presented to it and the factors it considered. In addition, individual members of the Board of Directors of Nayarit may have given differing weights to different factors. It should be noted that this explanation of the reasoning of the Board of Directors of Nayarit and certain information presented in this section is forward-looking in nature and, therefore, that information should be read in light of the factors discussed in the section entitled "Cautionary Note Regarding Forward-Looking Statements" in this joint proxy statement/prospectus.

Nayarit Stockholders' Dissenter Rights

Registered stockholders of Nayarit are entitled to dissent from the Business Combination Proposal in the manner provided in section 185 of the Ontario Act. Section 185 of the Ontario Act is reprinted in its entirety and attached to this proxy statement/prospectus as Annex II. In the event that the Business Combination is approved by the stockholders of Nayarit and the Business Combination is effected, registered stockholders of Nayarit will be entitled

to be paid the fair value of their Nayarit Shares as of the effective time of the closing of the Business Combination. The following summary is qualified by the provisions of section 185 of the Ontario Act, a copy of which is included in this proxy statement/prospectus as Annex II.

A registered Nayarit Stockholder who wishes to exercise Dissent Rights (a “Dissenting Stockholder”) must send a Dissent Notice to Nayarit, such that it is received by Nayarit not later than 4:00 p.m. (Toronto time) on the business day immediately preceding the day of the Nayarit Special Meeting (or any postponement or adjournment thereof), at Nayarit Gold Inc., 76 Temple Terrace, Suite 150, Lower Sackville, Nova Scotia B4C 0A7. Attention: Megan Spidle.

Persons who are beneficial owners of the Nayarit shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only a registered Nayarit stockholders is entitled to dissent. A Nayarit stockholder, who beneficially owns the Nayarit shares but is not the registered holder thereof, should contact the registered holder for assistance.

The filing of a Dissent Notice does not deprive a Nayarit stockholder of the right to vote; however, the Ontario Act provides, in effect, that a Nayarit stockholder who has submitted a Dissent Notice and who votes in favor of the Business Combination Proposal will no longer be considered a Dissenting Stockholder with respect to the Nayarit shares voted in favor of the Business Combination Proposal. Furthermore, the Ontario Act does not provide, and Nayarit will not assume, that a vote against the Business Combination Proposal constitutes a Dissent Notice. In addition, the execution or exercise of a proxy does not constitute a Dissent Notice. Under the Ontario Act, there is no right of partial dissent and, accordingly, a Dissenting Stockholder may only dissent with respect to all Nayarit shares held on behalf of any one beneficial owner that are registered in the name of the Dissenting Stockholder.

AmalgSub is required, within 10 days after the Nayarit stockholders adopt the Business Combination Proposal, to send to each registered Nayarit stockholder who has filed a Dissent Notice, notice that the Business Combination Proposal has been adopted, but such notice is not required to be sent to any registered Nayarit stockholder who voted for the Business Combination Proposal or who has withdrawn such Dissent Notice.

A Dissenting Stockholder must then, within 20 days after the Dissenting Stockholder receives notice that the Business Combination Proposal has been adopted or, if the Dissenting Stockholder does not receive such notice, within 20 days after the Dissenting Stockholder learns that the Business Combination Proposal has been adopted, send to Nayarit a written notice (a "Payment Demand") containing the name and address of the Dissenting Stockholder, the number of Nayarit shares in respect of which the Dissenting Stockholder dissents and a demand for payment of the fair value of such Nayarit shares. Within 30 days after a Payment Demand, the Dissenting Stockholder must send to Nayarit, the certificates representing the Nayarit shares in respect of which such Payment Demand was made. A Dissenting Stockholder who fails to send the certificates representing the Nayarit shares in respect of which the Dissent Right has been exercised has no right to make a claim under section 185 of the Ontario Act. Nayarit will endorse on share certificates received from a Dissenting Stockholder a notice that the holder is a Dissenting Stockholder and will forthwith return the share certificates to the Dissenting Stockholders.

On sending a Payment Demand to Nayarit, a Dissenting Stockholder ceases to have any rights as a Nayarit stockholder, other than the right to be paid the fair value of the Nayarit shares in respect of which such Payment Demand was made, except pursuant to the provisions of section 185 of the Ontario Act.

AmalgSub is required, not later than seven days after the later of the Effective Date of the Amalgamation or the date on which AmalgSub or Nayarit received the Payment Demand of a Dissenting Stockholder, to send to each Dissenting Stockholder who has sent a Payment Demand a written offer to pay (an "Offer to Pay") for the Nayarit shares in respect of which such Payment Demand was made in an amount considered by the board of directors of AmalgSub to be the fair value thereof, accompanied by a statement showing the manner in which the fair value was determined. Every Offer to Pay must be on the same terms. AmalgSub is required to pay for the Nayarit shares of a Dissenting Stockholder within 10 days after an Offer to Pay has been accepted by a Dissenting Stockholder, but any such Offer to Pay lapses if AmalgSub does not receive an acceptance thereof within 30 days after the Offer to Pay has been made.

If AmalgSub fails to make an Offer to Pay for the Nayarit shares of a Dissenting Stockholder, or if a Dissenting Stockholder fails to accept an offer that has been made, AmalgSub may, within 50 days after the Effective Date of the Amalgamation or within such further period as the Ontario Court may allow, apply to the Ontario Court to fix a fair value for the Nayarit shares of Dissenting Stockholders. If AmalgSub fails to apply to the Ontario Court, a Dissenting Stockholder may apply to the Ontario Court for the same purpose within a further period of 20 days or within such

further period as the Ontario Court may allow. A Dissenting Stockholder is not required to give security for costs in such an application.

Upon an application to the Ontario Court, all Dissenting Stockholders whose Nayarit shares have not been purchased by AmalgSub will be joined as parties and bound by the decision of the Ontario Court and AmalgSub will be required to notify each affected Dissenting Stockholder of the date, place and consequences of the application and of the right of such Dissenting Stockholder to appear and be heard in person or by counsel. Upon any such application to the Ontario Court, the Ontario Court may determine whether any person is a Dissenting Stockholder who should be joined as a party and the Ontario Court will then fix a fair value for the Nayarit shares of all Dissenting Stockholders. The final order of the Ontario Court will be rendered against AmalgSub in favor of each Dissenting Stockholder and for the amount of the fair value of each Dissenting Stockholder's Nayarit shares as fixed by the Ontario Court. The Ontario Superior Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Stockholder from the Effective Date of the Amalgamation until the date of payment.

The foregoing is only a summary of the provisions of section 185 of the Ontario Act, which provisions are technical and complex. It is suggested that any Nayarit stockholder wishing to exercise Dissent Rights seek legal advice as failure to comply strictly with the provisions of the Ontario Act may prejudice such Stockholder's Dissent Rights.

Canadian Federal Income Tax Consequences for Holders of Nayarit Shares, Nayarit Warrants and Nayarit Options

The following is a summary of the principal Canadian federal income tax consequences under the Income Tax Act (Canada) (the "Tax Act") generally applicable in respect of the Business Combination to a holder of Nayarit securities who, for purposes of the Tax Act and at all relevant times, is a resident of Canada, holds Nayarit shares of common stock, Nayarit warrants and/ or Nayarit options to purchase common stock as capital property, deals at arm's length with Nayarit, is not affiliated with Nayarit or Capital Gold and to whom Nayarit is not a foreign affiliate. This summary is not applicable to a holder that is a "financial institution" or a "specified financial institution" as defined in the Tax Act nor to a holder of an interest that is a tax shelter investment. Generally, securities will be considered to be capital property to the holder thereof unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure in the nature of trade.

This summary does not address the income tax considerations of exercising, cancelling or otherwise disposing of any options or warrants to acquire Nayarit shares, nor does it address all issues relevant to Nayarit Stockholders who acquired shares on the exercise of options or warrants. This summary does not address the income tax consequences of exchanging Nayarit stock options or warrants for stock options or warrants of Capital Gold. This summary also does not address the income tax consequences to persons who are not resident of Canada for purposes of the Tax Act or any applicable income tax treaty. Such security holders should consult their own tax advisors with respect to the Amalgamation.

This summary is based upon the current provisions of the Tax Act, the Regulations thereunder, all proposed amendments to the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Proposed Amendments") and counsel's understanding of the administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date of this proxy statement/prospectus. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in the law or administrative policies or assessing practices of the CRA, nor does it take into account the tax law of any province, territory or foreign jurisdiction. There can be no assurance that the Proposed Amendments will be enacted in the form currently proposed or at all.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder. Holders of Nayarit shares and Capital Gold shares should consult their own tax advisers to determine the tax consequences to them of the Business Combination.

The Amalgamation

A holder of Nayarit shares who disposes of Nayarit shares in the Business Combination in exchange for Capital Gold shares will generally be deemed to have disposed of such shares for proceeds of disposition equal to the adjusted cost base of such shares immediately before the Amalgamation, thereby realizing neither a capital gain nor a capital loss by virtue of such disposition. Such a holder of Nayarit shares will generally be deemed to have acquired the Capital Gold shares at a cost equal to the adjusted cost base to the holder immediately before the Amalgamation.

A holder of Nayarit options or warrants who disposes of Nayarit options or warrants in the Business Combination in exchange for Capital Gold options or warrants will generally be deemed to have disposed of such options or warrants for proceeds of disposition equal to the adjusted cost base of such options or warrants immediately before the Amalgamation, thereby realizing neither a capital gain nor a capital loss by virtue of such disposition. Such a holder of Nayarit options or warrants will generally be deemed to have acquired the Nayarit options or warrants at a cost equal to the adjusted cost base to the holder immediately before the Amalgamation.

A holder of Nayarit shares, warrants or options may choose to file a tax return recognizing a capital gain or capital loss on the exchange of such securities for Capital Gold shares, warrants or options, as the case may be, under the Amalgamation, in such holder's taxation year which includes the date upon which the Amalgamation took place. In such event, the holder will be considered to have disposed of such shares, warrants or options for proceeds of disposition equal to the fair market value of the Capital Gold shares, warrants or options, as the case may be, received on the exchange. Such holder will realize a capital gain to the extent that such proceeds of disposition exceed (or are less than) the adjusted cost base of that holder's Nayarit shares, warrants or options disposed of immediately before the exchange and any reasonable costs of disposition. Any holder of Nayarit shares, warrants or options that chooses to recognize a capital gain or capital loss will acquire the Capital Gold shares, Capital Gold warrants or Capital Gold options, as the case may be, at a cost equal to the fair market value of such Capital Gold shares, Capital Gold warrants or Capital Gold options received on the exchange. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Capital Gains and Capital Losses". It is not possible for a holder of Nayarit shares, Nayarit warrants or Nayarit options to elect to recognize only a portion of the gain otherwise realized on a disposition of such shares, warrants or options using the mechanism described above.

Dissenting Stockholders

Dissenting Stockholders are advised to consult with their own tax advisors with respect to the tax treatment of payments received as a result of the exercise of the dissent rights described above. A stockholder who dissents from the Business Combination and thereby becomes entitled to a cash payment that is ultimately paid by Capital Gold should generally be considered to have realized a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition of the Nayarit shares (which will be equal to the amount of the cash payment less any portion that is in respect of interest) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Nayarit shares and any reasonable costs of disposition. Any amount in respect of interest received by a Dissenting Stockholder will be included in such Dissenting Stockholder's income in accordance with the provisions of the Tax Act.

The date of disposition of shares disposed of by reason of a stockholder exercising such stockholder's dissent rights is unclear and Dissenting Stockholders should consult their tax advisers in this regard.

Dividends on Capital Gold Shares

Capital Gold has stated that it does not intend to pay dividends in the foreseeable future. Dividends received or deemed to have been received by a holder of Capital Gold shares will be included in computing the stockholder's income. In the case of an individual stockholder, such dividends will not be eligible for the gross-up and dividend tax credit treatment normally applicable to dividends received from taxable Canadian corporations and in the case of a corporate holder such dividends will not be deductible in computing taxable income. A holder that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of 6 2/3% on such dividends.

Disposition of Capital Gold Shares

On the disposition or deemed disposition of Capital Gold shares, a holder will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition exceed (or are less than) the holder's adjusted cost base of the Capital Gold shares.

Capital Gains and Capital Losses

Generally, only one-half of any capital gain (a "taxable capital gain") is required to be included in the holder's income in the taxation year of disposition, and one-half of any capital loss (an "allowable capital loss") may be deducted against taxable capital gains realized in the taxation year of disposition. Allowable capital losses that cannot be deducted from taxable capital gains in the year of disposition can generally be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following year against taxable capital gains realized in such years to the extent and in the circumstances set out in the Tax Act.

Certain Material U.S. Federal Income Tax Considerations

The following represents the opinion of Nayarit's special United States tax counsel Hodgson Russ LLP ("HR") with respect to certain material U.S. federal income tax considerations arising from and relating to the Business Combination applicable to "U.S. Holders" (as defined below) of Nayarit common stock that exchange their Nayarit common stock for Capital Gold common stock pursuant to the Business Combination. This summary also addresses certain material U.S. federal income tax considerations for U.S. Holders and "Non-U.S. Holders" (as defined below) arising from and relating to ownership of the Capital Gold common shares received in exchange for Nayarit common shares pursuant to the Business Combination. This summary does not address any U.S. federal income tax considerations of U.S. Holders and Non-U.S. Holders of Nayarit or Capital Gold securities (including warrants and options) other than common shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences of (i) the Business Combination that may apply to a U.S. Holder, (ii) a U.S. Holder owning Capital Gold common shares, and (iii) a Non-U.S. Holder owning Capital Gold common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences of the Business Combination to such U.S. Holder or any particular circumstances of U.S. Holders and Non-U.S. Holders with respect to ownership of the Capital Gold common shares. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder or Non-U.S. Holder. This summary does not address U.S. state and local, U.S. federal estate and gift, or foreign tax consequences or the U.S. federal alternative minimum tax. Each U.S. Holder and Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal income, U.S. state and local, U.S. federal estate and gift, and foreign tax consequences arising from and relating to the Business Combination, and the ownership of the Capital Gold common shares.

Except as noted below, the discussion below sets forth, in the opinion of HR, in all material respects, the material U.S. federal income tax consequences to a U.S. Holder of Nayarit common stock that exchanges such Nayarit common stock for Capital Gold common stock pursuant to the Business Combination as well as the material U.S. federal income tax consequences to U.S. Holders and Non-U.S. Holders of owning Capital Gold common stock after the Business Combination. HR's opinion does not address the matters discussed below under the heading "U.S. Tax Considerations if Nayarit Is or Was a PFIC" nor does it address whether Nayarit is, or has ever been, a "passive foreign investment company" ("PFIC").

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"); U.S. Treasury Regulations (whether final, temporary, or proposed); Internal Revenue Service ("IRS") rulings and official pronouncements; and judicial decisions, all as in effect and available, as of the date of this proxy statement/prospectus. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation (including, but not limited to, changes in rates of taxation) that, if enacted, could be applied at any time, including on a retroactive basis.

U.S. Holders

For purposes of this summary, a "U.S. Holder" is an owner of Nayarit common shares and Capital Gold common shares received in exchange for Nayarit common shares that, for U.S. federal income tax purposes, is (a) an individual

who is a citizen or resident of the U.S., (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state in the U.S., or the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

This summary is limited to U.S. Holders who own Nayarit common shares and Capital Gold common shares directly and not through an intermediary entity, such as a corporation, partnership, limited liability company or a trust.

Non-U.S. Holders

A Non-U.S. Holder for purposes of this summary is a beneficial owner of Capital Gold common shares that acquires the Capital Gold common shares in exchange for Nayarit common shares pursuant to the Business Combination who (i) is not a U.S. Holder as defined above, and (ii) is not a partnership or other pass through entity for United States federal income tax purposes.

U.S. Holders and Non-U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary and HR's opinion do not address the U.S. federal income tax consequences applicable to U.S. Holders and Non-U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) tax exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) dealers in securities or currencies or traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders and Non-U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders and Non-U.S. Holders that own Nayarit or Capital Gold common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders and Non-U.S. Holders that acquired Nayarit or Capital Gold common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders and Non-U.S. Holders that hold Nayarit common shares or Capital Gold common shares other than as a capital asset within the meaning of Section 1221 of the Code; or (h) U.S. tax expatriates or former long-term residents of the U.S. U.S. Holders and Non-U.S. Holders that are subject to special provisions under the Code, including U.S. Holders and Non-U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the Business Combination and the ownership and disposition of the Capital Gold common shares.

Controlled Foreign Corporation Status

This discussion assumes that prior to the Business Combination, Nayarit is not a "controlled foreign corporation" ("CFC") as such term is defined in the Code.

U.S. Federal Income Tax Consequences of the Business Combination to U.S. Holders

U.S. Tax Consequences if the Business Combination is a Tax-Free Reorganization

While the Business Combination is intended to qualify as a tax-free "reorganization" within the meaning of Section 368(a) of the Code, there is no certainty that the IRS would agree with this position, and there could be other sections of the Code that apply to disallow the treatment to U.S. Holders described below that applies to a U.S. Holder who participates in a reorganization. For example, in addition to meeting all of the requirements of Section 368(a) of the Code, all of the requirements of Section 367 of the Code and Treasury Regulations issued thereunder (some of which have been issued recently and are therefore untested) must also be met.

Assuming the Business Combination is treated as a reorganization under Section 368(a) of the Code, the requirements of Section 367 of the Code are also met, and subject to the discussion of the PFIC rules below, the material U.S. federal income tax consequences of the Business Combination should be as follows:

- none of Capital Gold, Nayarit, Merger Sub or AmalgSub will recognize gain or loss in the Business Combination;
 - U.S. Holders of Nayarit common shares will not recognize gain or loss in the Business Combination;
- the tax basis of the Capital Gold common shares received in the Business Combination by a U.S. Holder of Nayarit common shares will be the same as the tax basis of the Nayarit common shares exchanged therefor;
- the holding period for the Capital Gold common shares received in the Business Combination by a U.S. Holder of Nayarit common shares will include the holding period of the Nayarit common shares exchanged therefor; and
- U.S. Holders who exchange Nayarit common shares for Capital Gold common shares pursuant to the Business Combination may be required to report certain information to the IRS on their U.S. federal income tax returns for the taxable year in which the Business Combination occurs, and to retain certain records related to the Business Combination. U.S. Holders should consult their own U.S. tax advisors regarding the proper tax reporting of the Business Combination.

The foregoing discussion is not binding on the IRS or any court, and none of Capital Gold, Merger Sub, AmalgSub or Nayarit intends to request a ruling from the IRS regarding the U.S. federal income tax consequences of the Business Combination. The IRS could challenge the conclusions reflected above.

In addition, U.S. Holders who properly exercise their dissenters' rights and receive cash in exchange for their Nayarit common shares should expect to treat the receipt of such cash as a taxable event.

U.S. Tax Consequences if the Business Combination is not a Tax-Free Reorganization

If the Business Combination does not constitute a tax-free reorganization within the meaning of Section 368(a) of the Code or does not meet any other applicable Code requirements for a tax-free reorganization for U.S. federal income tax purposes, the material U.S. federal income tax consequences of the Business Combination should be as follows:

- a U.S. Holder will recognize gain or loss in an amount equal to the difference, if any, between: (i) the fair market value of the Capital Gold common shares received in exchange for Nayarit common shares pursuant to the Business Combination; and (ii) the adjusted tax basis of such U.S. Holder in the Nayarit common shares exchanged;
- the tax basis of a U.S. Holder in the Capital Gold common shares received in exchange for Nayarit common shares pursuant to the Business Combination would be equal to the fair market value of such Capital Gold common shares on the date of receipt; and
- the holding period of a U.S. Holder for the Capital Gold common shares received in exchange for Nayarit common shares pursuant to the Business Combination will begin on the day after the date of receipt.

U.S. Tax Considerations if Nayarit Is or Was a PFIC

If Nayarit is or has been a PFIC under Section 1297 of the Code, the U.S. federal income tax consequences described above could be materially and adversely different to U.S. Holders. For example, if Nayarit is or was a PFIC, the Business Combination may be taxable to a U.S. Holder notwithstanding qualifying as an otherwise tax-free reorganization under Section 368(a) of the Code. Moreover, if Nayarit is or was a PFIC and the Business

Combination is taxable to a U.S. Holder, the tax consequences of recognizing a gain or loss under the PFIC regime may be adverse to U.S. Holders.

Nayarit (or certain of its non-U.S. corporate subsidiaries ("Related Entities")) is or was a PFIC in any year if it derives 75% or more of its gross income from certain types of "passive" income that year, or if the average value during the year of Nayarit or the Related Entity's "passive assets" (generally, assets that generate passive income) is 50% or more of the average value of all assets held by Nayarit or the Related Entity in a taxable year.

The PFIC rules are very complex. Neither Nayarit nor any Related Entity can give any assurance as to its status as a PFIC for the current or any prior taxable year, and offers no opinion or representation of any kind with respect to the PFIC status of Nayarit or any Related Entity. In addition neither Nayarit nor any Related Entity has received an opinion from Hodgson Russ LLP on its potential PFIC classification. U.S. Holders should consult their own tax advisors with respect to the PFIC issue and its applicability to their particular tax situation.

The U.S. federal income tax rules applicable to U.S. Holders who dispose of their stock in a non-U.S. corporation such as Nayarit in a transaction such as the Business Combination are complex, especially in light of the potential application of the PFIC rules. U.S. Holders should consult their own tax advisors concerning the U.S. federal, state, local and foreign tax treatment to them on the Business Combination.

U.S. Federal Income Tax Considerations of Owning Capital Gold Common Shares

After the Business Combination, the U.S. Holders and Non-U.S. Holders will own common shares of Capital Gold, a U.S. domestic corporation for U.S. federal income tax purposes. Capital Gold is subject to U.S. federal income tax at the corporate level on its worldwide income. Moreover, since Capital Gold will be the sole shareholder of Nayarit, Nayarit will be a CFC of Capital Gold under the Code.

U.S. Holders

Distributions on Capital Gold Common Shares

The gross amount of any distribution by Capital Gold with respect to the Capital Gold common shares generally should be included in the gross income of a U.S. Holder as U.S.-source dividend income to the extent such distribution is paid out of current or accumulated earnings and profits of Capital Gold, as determined under United States federal income tax principles. To the extent that the amount of any distribution exceeds Capital Gold's current and accumulated earnings and profits for a taxable year, the distribution is treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in the Capital Gold common shares. Then, to the extent that such distribution exceeds the U.S. Holder's adjusted tax basis in the Capital Gold common shares, it is treated as gain from the sale or exchange of the U.S. Holder's Capital Gold common shares (See "Dispositions of Capital Gold Common Shares", below). Dividends received by non-corporate U.S. Holders may be subject to United States federal income tax at lower rates (generally 15%) than other types of ordinary income in taxable years beginning on or before December 31, 2010, if certain conditions are met (including a holding period requirement). This preferential rate is scheduled to expire for tax years beginning on or after January 1, 2011.

Dispositions of Capital Gold Common Shares

Gain or loss, if any, realized by a U.S. Holder on the sale or other disposition of Capital Gold common shares generally is subject to United States federal income taxation as capital gain or loss in an amount equal to the difference between the U.S. Holder's adjusted tax basis in the Capital Gold common shares and the amount realized on the disposition. Net capital gain (i.e., capital gain in excess of capital loss) recognized by a non-corporate U.S. Holder upon a sale or other disposition of Capital Gold common shares that have been held for more than one year is generally subject to a maximum United States federal income tax rate of 15% (which is scheduled to increase to a

maximum rate of 20% on January 1, 2011). Deductions for capital losses are subject to limitations. There is no preferential United States federal capital gains rate for U.S. Holders that are corporations that dispose of Capital Gold common shares.

Backup Withholding and Information Reporting

Noncorporate U.S. Holders are generally subject to certain information reporting requirements, on IRS Form 1099, with respect to (i) dividend payments or other taxable distributions made to such U.S. Holder within the United States, and (ii) the payment of proceeds to such U.S. Holder from the sale of Capital Gold common shares effected at a United States office of a broker. Corporate U.S. Holders will also be subject to these rules for payments made after December 31, 2011.

Capital Gold may also be required to collect a backup withholding tax, if (i) a U.S. Holder fails to furnish or certify its correct taxpayer identification number to Capital Gold in the manner required, (ii) Capital Gold is notified by the IRS that the U.S. Holder has failed to report payments of dividends and interest properly, or (iii) under certain circumstances, the U.S. Holder fails to certify that the U.S. Holder has not been notified by the IRS that the U.S. Holder is subject to backup withholding for failure to report interest and dividend payments.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be returned or credited against the U.S. Holder's United States federal income tax liability, as long as the required information is provided to the IRS.

Non-U.S. Holders

Distributions on Capital Gold Common Shares

After the Business Combination, the Non-U.S. Holders will own common shares of Capital Gold, a U.S. corporation. The gross amount of any distribution by Capital Gold with respect to the Capital Gold common shares is treated first as dividend income to the extent such distribution is paid out of current or accumulated earnings and profits of Capital Gold, as determined under United States federal income tax principles. To the extent that the amount of any distribution exceeds Capital Gold's current and accumulated earnings and profits for a taxable year, the distribution is treated as a tax-free return of capital to the extent of the Non-U.S. Holder's adjusted tax basis in the Capital Gold common shares. Then, to the extent that such distribution exceeds the Non-U.S. Holder's adjusted tax basis in the Capital Gold common shares, it is taxed as gain from the sale or exchange of the Non-U.S. Holder's Capital Gold common shares (See "Dispositions of Capital Gold Common Shares", below). Any such distribution that constitutes a dividend is treated as United States source gross income for Non-U.S. Holders of Capital Gold common shares, and is subject to withholding under Section 1441 of the Code (unless it is treated as "effectively connected" income as described below). The withholding rate under the Code on dividends is generally 30%, but may be reduced pursuant to a treaty. Any dividend income that is "effectively connected" with a Non-U.S. Holder's conduct of a U.S. trade or business (and, where a tax treaty applies, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder) will not be subject to the withholding tax described in this paragraph but instead will be taxed as described in the second bullet point and the remaining discussion under the heading "Dispositions of Capital Gold Common Shares" below. Non U.S. Holders will be required to provide specific documentation to claim a treaty exemption or reduced rate of withholding with respect to the distribution.

Dispositions of Capital Gold Common Shares

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized upon the disposition of Capital Gold common shares unless:

-

such Non-U.S. Holder is an individual who is present in the United States for a period or periods aggregating 183 days or more during the taxable year of disposition and certain other conditions are met;

- such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and, where a tax treaty applies, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder); or
- the Capital Gold common shares constitutes a U.S. real property interest by reason of its status as a "United States real property holding corporation" for U.S. federal income tax purposes ("USRPHC").

A Non-U.S. Holder described in the first bullet above is required to pay a flat 30% tax on the gain derived from the sale, which tax may be offset by U.S. source capital losses. A Non-U.S. Holder described in the second bullet above or if the third bullet applies is required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and corporate Non-U.S. Holders described in the second bullet above may also be subject to branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. You should consult any applicable income tax treaties that may provide for different results.

U.S. Estate and Gift Tax Consequences of Transfers of Capital Gold Common Shares

The U.S. gift, estate, and generation-skipping transfer tax rules generally apply to a Non-U.S. Holder of Capital Gold common shares. Non-U.S. Holders of Capital Gold common shares should consult an independent tax advisor with respect to U.S. gift, estate, and generation-skipping transfer tax consequences applicable to the ownership of Capital Gold common shares.

Backup Withholding and Information Reporting

Generally, Capital Gold must report annually to the IRS and to Non-U.S. Holders the amount of dividends paid and the amount of tax, if any, withheld with respect to those payments. These information reporting requirements apply even if withholding is not required. Pursuant to tax treaties or other agreements, the IRS may make such information available to tax authorities in the Non-U.S. Holder's country of residence. The payment of proceeds from the sale of Capital Gold common shares by a broker to a Non-U.S. Holder is generally not subject to information reporting if:

- the Non-U.S. Holder certifies his, her or its non-U.S. status under penalties of perjury by providing a properly executed IRS Form W-8BEN, or otherwise establishing an exemption; or
- the sale of the Capital Gold common shares is effected outside the U.S. by a foreign office of a broker, unless the broker is (1) a U.S. person; (2) a foreign person that derives 50% or more of its gross income for certain periods from activities that are effectively connected with the conduct of a trade or business in the U.S.; (3) a CFC for U.S. federal income tax purposes; or (4) a foreign partnership more than 50% of the capital or profits interest of which is owned by one or more U.S. persons or which engages in a U.S. trade or business.

A backup withholding tax may apply to amounts paid to a Non-U.S. Holder if the Non-U.S. Holder fails to properly establish its foreign status on the applicable IRS Form W-8 or if certain other conditions are met. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, assuming the required information is timely provided to the IRS.

New U.S. legislation signed into law on March 18, 2010 (The Hiring Incentives to Restore Employment (HIRE) Act) substantially changes the withholding and reporting rules applicable to Non-U.S. Holders that are not individuals that receive certain U.S.-source income, generally effective for payments made after December 31, 2012. Certain changes made by the HIRE Act may, depending on how such changes are implemented by the U.S. Treasury, result in different U.S. federal income tax consequences for Non-U.S. Holders that are not individuals than those described above,

including with respect to withholding and information reporting, and distributions on and dispositions of Capital Gold common shares.

Solicitation of Proxies

The enclosed proxy is being solicited by or on behalf of the management of Nayarit. The cost of soliciting proxies will be borne by Nayarit. While most proxies will be solicited by mail only, regular employees of Nayarit may also solicit proxies by telephone or in person. Such employees will receive no additional compensation for these services other than their regular salaries, but will be reimbursed for their reasonable expenses.

Nayarit will provide proxy materials to brokers, custodians, nominees and fiduciaries and will request that such materials be promptly forwarded to the beneficial owners of common shares registered in the names of such brokers, custodians, nominees and fiduciaries. Nayarit will reimburse brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses incurred in forwarding proxy materials to beneficial owners of common shares.

Voting Common Shares

The Board of Directors of Nayarit has fixed June 10, 2010 as the record date for the purpose of determining Stockholders entitled to receive Notice of the Meeting (the "Meeting Record Date").

Nayarit will prepare, no later than ten (10) days following the Meeting Record Date, a list of stockholders entitled to vote as of the Meeting Record Date, showing the number of common shares held by each such stockholder. Each person named on the list of stockholders is entitled to one (1) vote for each common share held, except to the extent that: (i) the stockholder has transferred any common shares after the Meeting Record Date; and (ii) the transferee of those common shares produces properly endorsed share certificates or otherwise establishes ownership of those common shares and requests not later than ten (10) days before the date of the Nayarit Special Meeting that the transferee's name be included on such list before the Nayarit Special Meeting, in which case the transferee is entitled to vote those common shares at the Nayarit Special Meeting.

Registered Stockholders

Registered stockholders are stockholders whose common shares are held in their own name and they will have received a proxy form in their own name.

Non-Registered/Beneficial Stockholders

Beneficial stockholders are stockholders who do not hold their Nayarit Common Shares in their own name, but rather in the name of a nominee, such as a bank, trust company, securities broker or other financial institution (and is known as holding in "street form").

If you are a non-registered Nayarit stockholder, there are two (2) ways you can vote your Nayarit Common Shares held by your nominee. Your nominee is required to seek voting instructions from you in advance of the Nayarit Special Meeting in accordance with securities laws, and so you will receive, or will have already received from your nominee, a request for voting instructions or a proxy form for the number of common shares you hold. Every nominee has its own mailing procedures and provides its own signing and return instructions. Therefore, please follow them in order to make sure that your common shares are voted.

Alternatively, if you wish to vote in person at the Nayarit Special Meeting, please insert your own name in the space provided on the "Request for Voting Instructions" or proxy form to appoint yourself as proxy holder and follow the signing and return instructions of your nominee. Non-registered stockholders who appoint themselves as proxy holders should, at the Nayarit Special Meeting, present themselves to a representative of Computershare Trust Company of Canada.

Appointment of Proxy Holders

The persons named in the enclosed form of proxy are directors and/or officers of Nayarit. A stockholder has the right to appoint some other person (who need not be a stockholder) to attend and to act for and on behalf of such stockholder at the Nayarit Special Meeting. To exercise this right, the stockholder must either insert the name of the desired person in the blank space provided in the proxy and strike out the other names or submit another proper form of proxy and, in either case, deliver the completed proxy by post or other form of delivery to the transfer agent for the common shares, Computershare Trust Company of Canada, 1969 Upper Water Street, Purdy's Wharf II, Suite 2008, Halifax, Nova Scotia, B3J 3R7 in either case to be received not later than the close of business on [], 2010 (i.e. 5:00 pm, Atlantic time) or, in the event of an adjournment, not later than two (2) business days preceding the day to which the Nayarit Special Meeting is adjourned.

All Nayarit Common Shares represented by a properly executed and deposited proxy will be voted or withheld from voting on the matters identified in the Notice of Special Meeting in accordance with the instructions of the stockholder as specified thereon.

If you have appointed a person who was designated by Nayarit to vote on your behalf as provided in the enclosed form of proxy and you do not provide any instructions concerning any matter identified in the Notice of Meeting, the Common Shares represented by such proxy will be voted:

“FOR” the approval of the Business Combination Agreement and the Business Combination.

The enclosed form of proxy, when properly signed, confers discretionary authority on the person or persons named to vote on any amendment to matters identified in the Notice of Meeting and on any other matter properly coming before the Nayarit Special Meeting. Nayarit management is not aware of any such matter; however, if such matter properly

comes before the Special Meeting, the proxies will be voted at the discretion of the person or persons named therein. The persons named in the form of proxy are either officers or directors of Nayarit.

Revocability of Proxies

A stockholder executing the enclosed form of proxy has the right to revoke it at any time before it is exercised. Relevant provisions of the Ontario Act provide that a stockholder may revoke a proxy by depositing an instrument in writing, executed by the stockholder or by an attorney authorized in writing, at, or by transmitting by telephonic or electronic means or any other manner permitted by law, a revocation to, the registered office of Nayarit at 76 Temple Terrace, Suite 150, Lower Sackville, Nova Scotia, B4C 0A7 at any time up to and including the last business day preceding the day of the Nayarit Special Meeting, or any adjournment thereof, or by depositing such instrument with the Chair of the Meeting on the day of the Nayarit Special Meeting, or any adjournment thereof, or in any other manner permitted by law.

Voting Shares and Principal Stockholders

The authorized capital of Nayarit consists of an unlimited number of common shares. As of June 10, 2010, there were approximately 91,709,665 common shares outstanding. Each common share carries the right to one (1) vote on any matter properly coming before the Nayarit Special Meeting. A quorum for the Nayarit Special Meeting of Stockholders requires two (2) persons present in person or by proxy.

To the knowledge of the directors and officers of Nayarit, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, in excess of 10% of the outstanding Nayarit Common Shares.

Additional Information

Nayarit will furnish, without charge, to any stockholder submitting a written request, a copy of Nayarit's annual report for the year ended September 30, 2009, including the financial statements and schedules thereto. Such written request should be directed to the attention of Nayarit Gold Inc., 76 Temple Terrace, Suite 150, Lower Sackville, Nova Scotia, B4C 0A7, Canada.

Board of Directors Approval

The contents of this proxy statement/prospectus relating specifically to Nayarit, and the sending of this joint proxy statement/prospectus to the stockholders of Nayarit have been approved by the Board of Directors of Nayarit.

PROPOSAL TO BE CONSIDERED BY NAYARIT STOCKHOLDERS

PROPOSAL NO. 1

THE BUSINESS COMBINATION PROPOSAL

The discussion in this joint proxy statement/prospectus of the Business Combination Proposal and the principal terms of the Business Combination Agreement are subject to, and is qualified in its entirety by reference to, the Business Combination Agreement, which is attached as Annex I to this proxy statement/prospectus.

The stockholder resolution submitted to the stockholders of Nayarit is as follows:

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The Business Combination Agreement dated as of February 10, 2010 as amended on April 29, 2010 between Capital Gold Corporation and Nayarit Gold Inc. (the “Business Combination Agreement”), including the execution and performance of such Agreement, is approved; and be it further resolved that
2. That the officers of Nayarit execute such further documents and take further action as, in their discretion, is necessary or desirable to give effect to the forgoing resolutions.

General Description of the Business Combination

The respective Boards of Directors of Capital Gold and Nayarit have approved a Business Combination Agreement between Capital Gold and Nayarit dated February 10, 2010 as amended on April 29, 2010 (the “Business Combination Agreement”) that would effect the Amalgamation of Nayarit with a to be formed corporation as a wholly owned Canadian subsidiary of Capital Gold. If the Business Combination is approved by the stockholders of both companies, the parties intend to effect an amalgamation (the “Amalgamation”) of Nayarit and a corporation, to be organized under the Ontario Act as a wholly-owned subsidiary of Capital Gold (“Merger Sub”), to form a combined entity (“AmalgSub”). By virtue of the Amalgamation, the separate existence of each of Nayarit and Merger Sub shall thereupon cease, and AmalgSub shall continue its corporate existence under the Ontario Act as a wholly-owned subsidiary of Capital Gold.

The parties to the Business Combination Agreement intend to consummate the Amalgamation as promptly as practicable after the Special Meetings of the stockholders of Capital Gold and Nayarit, provided that:

• Capital Gold’s stockholders have approved the Business Combination Agreement and the issuance of the Amalgamation Consideration;

• Nayarit’s stockholders have adopted the Business Combination Agreement and approved the transactions contemplated thereby, including the Amalgamation;

• holders of no more than 5% of the Nayarit shares vote against the Amalgamation and exercise dissent rights under the Ontario Act

• the SEC has declared effective Capital Gold’s registration statement of which this proxy statement/prospectus is a part; and

- the other conditions specified in the Business Combination Agreement have been satisfied or waived.

For more information, see the section entitled “The Business Combination” beginning on page 30. The Business Combination Agreement is included as Annex I to this joint proxy statement/prospectus. You are encouraged to read the Business Combination Agreement in its entirety.

Background of the Business Combination

The terms of the Business Combination are the result of arms-length negotiations between representatives of Capital Gold and Nayarit. The following is a discussion of the background of these negotiations, the Business Combination and related transactions.

In December 2008, Colin Sutherland, and Bradley Langille, respectively, President and strategic consultant to Nayarit, had an introductory meeting with John Brownlie, President of Capital Gold, and scheduled a site visit to Nayarit's properties in Mexico which occurred the same month.

On December 10, 2009, Mr. Sutherland, Mr. Langille and David Badner, respectively President, strategic consultant and advisor of Nayarit, met with Mr. Brownlie in San Francisco, California, to discuss the potential merger of Nayarit and Capital Gold during which management from both companies provided overviews of their respective businesses. The meeting outlined the process for moving toward a letter of intent, which included discussions around the exchange ratio, management positions, and overall strategy beyond the transaction. It was discussed that Nayarit should proceed to finalizing the Preliminary Economic Assessment in order to provide the financial basis for the Orion Project.

During the period December 12, 2009 through December 16, 2009, principals of Nayarit and Mr. Brownlie held various telephonic discussions concerning the content of a proposed letter of intent.

On December 17, 2009, the Board of Directors of Nayarit approved the execution of the letter of intent.

On December 17, 2009, Nayarit and Capital Gold executed a letter of intent.

On January 14, 2010 Nayarit and its counsel, Dennis H. Peterson, of Peterson Law Professional Corporation received from Capital Gold and its counsel, Ellenoff Grossman & Schole LLP, or EG&S, a draft Business Combination Agreement to Nayarit. Subsequently, Messrs. Langille, Sutherland, Badner and Brownlie held various discussions and conference calls to negotiate the terms of the Business Combination Agreement.

On January 18, 2010, the Nayarit Board of Directors met and approved the execution of the definitive agreement upon final receipt of the document.

On January 20, 2010 and January 21, 2010, Mr. Brownlie, Mr. Sutherland, Mr. Langille, Mr. Badner, Mr. Peterson, EG&S, Lonnie Kirsch, CGC Canadian counsel, and Christopher M. Chipman, Capital Gold CFO, met in New York to discuss the terms and conditions of the definitive agreement and outlined the items which required further negotiation and clarification.

On January 27, 2010, the Nayarit Board of Directors met and approved the execution of the final definitive agreement.

On February 9, 2010, the Nayarit Board of Directors met and approved the execution of the final definitive agreement with adjustment to the exchange ratio.

On February 10, 2010, Nayarit and Capital Gold executed the Business Combination Agreement and an acknowledgement regarding each party's completion of its due diligence.

Prior to the opening of the financial markets on February 11, 2010, Nayarit and Capital Gold issued a joint press release announcing the execution of the Business Combination Agreement.

Nayarit's Board of Directors' Reasons for Approval of the Business Combination

Nayarit's Board of Directors concluded that the Business Combination is fair to, and in the best interests of, Nayarit and its stockholders and that the consideration to be paid in the Business Combination is fair to Nayarit and its stockholders. Nayarit's management conducted a due diligence review of Nayarit that included an industry analysis, an evaluation of Nayarit's existing business, a valuation analysis and financial projections in order to enable the Board of Directors to evaluate Nayarit's business and financial condition and prospects.

Nayarit's Board of Directors considered Nayarit's properties, various industry and financial data, including certain financial analyses developed by Nayarit and metrics compiled by Nayarit's management in evaluating the consideration to be paid by Nayarit in the Business Combination.

Nayarit's Board of Directors considered a wide variety of factors in connection with its evaluation of the Business Combination. In light of the complexity of those factors, the Board of Directors did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its decision. Furthermore, individual members of the board may have given different weight to different factors.

In considering the Business Combination, Nayarit's Board of Directors gave considerable weight to the following favorable factors:

- **Market Exposure.** Capital Gold is a NYSE AMEX listed issuer with a producing mine in Mexico. The Business Combination will provide enhanced exposure to capital markets and greater shareholder liquidity.
- **Visibility as a Mid-Tier Producer.** The combined company has the potential to be recognized as a significant mid-tier producer in Latin America, with the possibility that further growth opportunities will follow.
- **Exploration and Development.** The Business Combination will enhance the combined company's ability to grow and secure additional capital resources to continue exploration and development of the Orion Project and Capital Gold's El Chanate Project, enhancing long term value for Nayarit's stockholders.
- **Stockholder Liquidity.** Increased market capitalization and a broader stockholder base resulting from the Amalgamation should improve trading liquidity for Nayarit stockholders.
- **Mining Operations.** Capital Gold has mining operations at its El Chanate open pit mine in Sonora, Mexico. As part of the combined company, revenue from operations would reduce Nayarit's dependency on capital markets for working capital.
- **Strong Management Team.** The combination of Capital Gold's and Nayarit's management will create a management team with complementary skills in exploration, business and projected development and operations.
- **Potential synergies.** The strategic fit and complementary nature of Nayarit's and Capital Gold's respective assets in Mexico and the related potential impact on the combined company's earnings.

Nayarit's Board of Directors believes the above factors strongly supported its determination and recommendation to approve the Business Combination. Nayarit's Board of Directors did, however, consider the following potentially negative factors, among others, including the risk factors set forth elsewhere in this proxy statement, in its deliberations concerning the Business Combination:

- **Fixed exchange rate.** The currency exchange rate is fixed, and as a result, the Capital Gold shares issued on consummation of the Business Combination Agreement may have a market value different than at the time of the announcement of the Amalgamation.
- **Conditions to closing.** The Business Combination Agreement is subject to several conditions and because there can be no certainty that these conditions may be satisfied or waived, the Business Combination may not be successfully completed.

-

Termination rights. The Business Combination Agreement may be terminated by either Nayarit or Capital Gold in certain circumstances, in which case the market prices for Nayarit shares may be adversely affected.

- Limitations on other opportunities. The Business Combination Agreement substantially limits any outside opportunities Nayarit might otherwise have with other potential combination parties.

Terms of the Business Combination Agreement

Nayarit's Board of Directors believes the terms of the Business Combination, including the closing conditions, are customary and reasonable. It was important to Nayarit's Board of Directors that the Business Combination include customary terms and conditions as it believed such terms and conditions would allow for a more efficient closing process and lower transaction expenses.

Fairness Opinion of Blair Franklin Capital Partners Inc.

The Board or Directors of Nayarit retained Blair Franklin Capital Partners Inc. ("Blair Franklin") to provide its opinion as to the fairness of the consideration to be offered to the Nayarit shareholders in the Business Combination. Blair Franklin concluded that the consideration to be offered to the Nayarit shareholders in the Business Combination is fair from a financial point of view. Blair Franklin's opinion is qualified by certain conditions and assumptions specified in their opinion letter to the Board of Directors of Nayarit Gold dated March 25, 2010. A copy of Blair Franklin's fairness opinion is included with this joint proxy statement/prospectus as Annex III.

Blair Franklin is an independent investment bank based in Toronto, Ontario. Blair Franklin provides advice on mergers, acquisitions, divestitures, related party transactions, financing, restructurings, risk management and governance issues. Blair Franklin also provides valuations and fairness opinions to corporate, private, institutional and public sector clients. Blair Franklin's engagement by Nayarit provides for payment of their fees upon completion of their work, regardless of the outcome of their conclusion. Blair Franklin did not provide financial advisory services or participate in a financing for Nayarit or Capital Gold within the twenty-four months preceding the date of their fairness opinion.

Among the qualifications noted in the Blair Franklin fairness opinion is the statement that Blair Franklin was not asked to prepare a formal valuation of Nayarit or Capital Gold, or their respective securities or assets, and that their fairness opinion should not be construed as such.

In preparing its opinion, Blair Franklin reviewed and relied upon, among other things the following documents.

1. Consolidated financial statements for Nayarit for the years ended September 30, 2009 and 2008;
2. Consolidated financial statements for Capital Gold for the years ended July 31, 2009 and 2008;
3. quarterly reports for Nayarit for the three-month periods ended December 31, 2009 and 2008;
4. quarterly reports for Capital Gold for the six-month periods ended January 31, 2009 and 2008;
5. Public information relating to the business, operations, financial performance and share price trading history of Nayarit, Capital Gold and other selected public companies whose businesses if believed to be relevant;
6. Business Combination Agreement by and between Capital Gold and Nayarit dated February 10, 2010;
7. Draft Form-S-4 related to the Transaction;
8. Certain internal financial analyses and forecasts prepared by the management of Nayarit and Capital;

9. Preliminary Economic Assessment for Animas/Del Norte deposit (part of the Orion project) dated February 2010;
10. 43-101 resource estimate for the Orion project dated November 2009;

11. 43-101 Technical Report for the El Chanate Gold Mine dated November 2009;
 12. Mine site visit of the El Chanate Gold Mine;
 13. Discussions with Nayarit and Capital Gold management concerning their respective business operations, financial condition, results and prospects;
 14. Comparable trading multiples and comparable transaction multiples for selected companies / businesses considered relevant;
 15. Industry and financial market information;
 16. Other publicly available information considered relevant;
 17. A certificate provided to Blair Franklin by senior officers of Nayarit as to certain factual matters;
 18. A certificate provided to Blair Franklin by senior officers of Capital Gold as to certain factual matters; and
 19. Such other information, documentation, analyses and discussions that we considered relevant in the circumstances.
- Blair Franklin has not, to the best of its knowledge, been denied access by Nayarit or Capital Gold to any information that it requested.

Certain Benefits of the Directors and Officers and Others in the Business Combination

When you consider the recommendation of the Nayarit Board of Directors in favor of approval of the Business Combination, you should keep in mind that Nayarit directors and officers have interests in the Business Combination that are different from, or in addition to, your interests as a stockholder. These interests include, among other things:

- It is currently anticipated that Messrs. Cooper, Cutler, Sojka, each a current director of Capital Gold, a nominee of Nayarit, and a nominee of Capital Gold will serve as directors of Capital Gold following the Business Combination and that John Brownlie will resign as President and Chief Operating Officer of Capital Gold and Bradley Langille and Colin Sutherland will join Capital Gold as senior officers.
- Pursuant to Mr. Brownlie's employment agreement with Capital Gold, he is entitled to a payment in the amount of \$375,000 upon the consummation of the Business Combination. In connection with his aforementioned resignation, Mr. Brownlie and Capital Gold have entered into a Severance Agreement and General Release, pursuant to which Mr. Brownlie's employment agreement will terminate and he will resign as President and Chief Operating Officer effective upon the consummation of the Business Combination. Pursuant to the Severance Agreement, Mr. Brownlie will be entitled to severance payments in the aggregate amount of approximately \$1.7 million, payable over a six month period. A copy of the Severance Agreement has been filed as Exhibit 10.24 to the registration statement of which this proxy statement/prospectus is a part.
- For a period of thirty-six (36) months following the Effective Time of the Business Combination, Capital Gold and Nayarit have agreed that they shall cause their nominees on the Board of Directors to execute and deliver an undertaking whereby such nominees agree to: (i) nominate the foregoing agreed upon individuals for re-election at each annual meeting of the stockholders of Capital Gold; and (ii) cause any successors chosen by such nominees to comply with the foregoing provision at each annual meeting of the stockholders of Capital Gold.

- As a condition to closing the Business Combination, Capital Gold and Nayarit have agreed that the employment agreements between Nayarit, on one hand, and each of Colin Sutherland and Bradley Langille, on the other hand, shall either have been (i) terminated prior to the Effective Date in accordance with the terms thereof, including payment of all termination payments prescribed therein, or (ii) terminated with no payment of change of control benefits in consideration for the execution of a new employment agreement with Capital Gold on terms comparable to the other senior officers of Capital Gold.

Required Vote

The Business Combination Proposal requires the affirmative vote of not less than two-thirds of the Nayarit Common Shares voted in person or by proxy on the matter.

Recommendation of Nayarit's Board of Directors

THE BOARD OF DIRECTORS OF NAYARIT UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE BUSINESS COMBINATION PROPOSAL.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined balance sheet and statements of operations are presented to give effect to the proposed transaction. The pro forma information was prepared based on the historical financial statements and related notes of Capital Gold and Nayarit after giving effect to the Amalgamation using the acquisition method of accounting. In addition, the unaudited pro forma condensed combined financial information was based on and should be read in conjunction with:

- Capital Gold's historical consolidated financial statements and related notes included in the Capital Gold Form 10-K for the fiscal year ended July 31, 2009 and the Capital Gold Form 10-Q for the six months ended January 31, 2010, and
- Nayarit's historical consolidated financial statements and related notes for the fiscal year ended September 30, 2009 prepared in accordance with Canadian GAAP with a reconciliation to accounting principles generally accepted in the United States of American ("U.S. GAAP") and for the quarterly period ended December 31, 2009 prepared in accordance with Canadian GAAP.

The unaudited pro forma condensed combined balance sheet is presented as if the transaction occurred on January 31, 2010. The unaudited pro forma condensed combined statements of operations combine the results of operations of Capital Gold and Nayarit for the year ended July 31, 2009 and the six months ended January 31, 2010, and are presented as if the transaction occurred on August 1, 2008. The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the Amalgamation, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been achieved had Capital Gold and Nayarit been a combined company during the respective periods presented. Certain reclassification adjustments have been made in the presentation of Nayarit's historical amounts to conform to Capital Gold's presentation.

The unaudited pro forma condensed combined financial information does not reflect any cost savings or operating synergies that the combined company may achieve as a result of the Amalgamation or the costs to integrate the operations of Nayarit with Capital Gold.

Capital Gold Corporation
Unaudited Pro Forma Condensed Combined Balance Sheet
As of January 31, 2010
(in thousands)

	Historical Capital Gold	Nayarit	Pro Forma Adjustments (Note 5)	Combined Pro Forma
Assets				
Current Assets:				
Cash and cash equivalents	\$ 4,943	\$ 1,350	\$ (2,161) (a)	\$ 4,132
Accounts receivable	2,417	-	-	2,417
Inventories	28,109	-	-	28,109
Other current assets	1,624	1,207	-	2,831
Total current assets	37,093	2,557	(2,161)	37,489
Property and equipment, net	24,725	222	-	24,947
Exploration property interests	-	4,036	44,012 (b)	48,048
Goodwill	—	—	—	—
Intangibles, net	686	-	-	686
Deferred finance costs and other assets	1,132	-	-	1,132
	\$ 63,636	\$ 6,815	\$ 41,851	\$ 112,302
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 5,862	\$ 402	\$ 27 (c)(g)	\$ 6,291
Deferred tax liability	4,279	-	6,088 (d)	10,367
Current portion of long-term debt	3,600	-	-	3,600
Other current liability	112	-	-	112
Total current liabilities	13,853	402	6,115	20,370
Long-term debt	2,600	-	-	2,600
Reclamation and remediation liability and other	1,933	-	-	1,933
Total Liabilities	18,386	402	6,115	24,903
Commitments and Contingencies	\$ —	\$ —	\$ —	\$ —
Shareholders' equity:	45,250	6,413	35,736 (e)(g)	87,399
Total Shareholders' equity	\$ 63,636	\$ 6,815	\$ 41,851	\$ 112,302

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Capital Gold Corporation
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Twelve Months Ended July 31, 2009
(in thousands, except share and per share amounts)

	Historical Capital Gold	Nayarit	Pro Forma Adjustments (Note 5)	Combined Pro Forma
Revenues:				
Sales – Gold, net	\$ 42,757	\$ -	\$ -	\$ 42,757
Costs and expenses:				
Costs applicable to sales	13,883		-	13,883
Depreciation and amortization	3,019	67	-	3,086
General and administrative	5,464	2,211	-	7,675
Exploration	1,600	5,840	-	7,440
Total costs and expenses	23,966	8,118	-	32,084
Income (loss) from operations	18,791	(8,118)	-	10,673
Other income (expense):				
Interest income	43	34	-	77
Interest expense	(597)	-	-	(597)
Other income (expense)	(313)	(53)	-	(366)
Loss on change in fair value of derivative	(1,975)	-	-	(1,975)
Total other income (expense)	(2,842)	(19)	-	(2,861)
Income (loss) before taxes	15,949	(8,137)	-	7,812
Income tax expense	(5,542)	-	-	(5,542)
Net income (loss)	\$ 10,407	\$ (8,137)	\$ -	2,270
Share Data:				
Net income (loss) per common share				
Basic	\$ 0.22	\$ (0.10)		\$ 0.04
Diluted	\$ 0.21	\$ (0.10)		\$ 0.03
Basic weighted average common shares outstanding(1)				
Basic weighted average common shares outstanding(1)	48,315,116	79,126,397		60,414,251
Diluted weighted average common shares outstanding(1)	49,882,769	79,126,397		68,031,246

(1)Pro forma weighted average shares outstanding takes into consideration the additional Capital Gold common stock issued in exchange for Nayarit common stock. See Note 1. Equivalent common shares of Nayarit, consisting of stock options and warrants are excluded from the calculation of historical diluted net loss per share for the year ended September 30, 2009, since their effect is antidilutive.

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Capital Gold Corporation
 Unaudited Pro Forma Condensed Combined Statement of Operations
 For the Six Months Ended January 31, 2010
 (in thousands, except share and per share amounts)

	Historical Capital Gold	Nayarit	Pro Forma Adjustments (Note 5)	Combined Pro Forma
Revenues:				
Sales – Gold, net	\$ 24,955	\$ -	\$ -	\$ 24,955
Costs and expenses:				
Costs applicable to sales	8,735			8,735
Depreciation and amortization	1,709	24		1,733
General and administrative	3,660	941	(216)	4,385
Exploration	681	960		1,641
Total costs and expenses	14,785	1,925	(216)	16,494
Income (loss) from operations	10,170	(1,925)	216	8,461
Other income (expense):				
Interest income	8	8		16
Interest expense	(235)	-		(235)
Other income (expense)	(62)	(133)		(195)
Loss on change in fair value of derivative	-	-		-
Total other income (expense)	(289)	(125)		(414)
Income (loss) before taxes	9,881	(2,050)	216	8,047
Income tax expense	(3,997)	-		(3,997)
Net income (loss)	\$ 5,884	\$ (2,050)	216	\$ 4,050
Share Data:				
Net income (loss) per common share				
Basic	\$ 0.12	\$ (0.02)		\$ 0.07
Diluted	\$ 0.12	\$ (0.02)		\$ 0.07
Basic weighted average common shares outstanding(1)				
Basic weighted average common shares outstanding(1)	48,505,818	89,538,081		60,604,953
Diluted weighted average common shares outstanding(1)	49,861,776	89,538,081		67,941,502

(1)Pro forma weighted average shares outstanding takes into consideration the additional Capital Gold common stock issued in exchange for Nayarit common stock. See Note 1. Equivalent common shares of Nayarit, consisting of stock options and warrants are excluded from the calculation of historical diluted net loss per share for the three months ended December 31, 2009, since their effect is antidilutive.

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Description of the Amalgamation

On February 10, 2010, Capital Gold and Nayarit agreed to effect an amalgamation (the "Amalgamation") of Nayarit and a corporation, to be organized under the Ontario Act as a wholly-owned subsidiary of Capital Gold ("Merger Sub"), to form a combined entity ("AmalgSub"). By virtue of the Amalgamation, the separate existence of each of Nayarit and Merger Sub shall cease, and AmalgSub, as the surviving company in the Amalgamation, shall continue its corporate existence under the OBCA as a wholly-owned subsidiary of Capital Gold. In connection with the Amalgamation, and without any action on the part of Nayarit or the holders of any securities of Nayarit, all of the common shares of Nayarit (the "Nayarit Common Shares") issued and outstanding immediately prior to the consummation of the Amalgamation (other than Nayarit Common Shares held by dissenting stockholders of Nayarit) shall become exchangeable into the common stock of Capital Gold on the basis of 0.134048 shares of Capital Gold common stock for each one (1) Nayarit Common Share (the "Amalgamation Consideration"). Upon the exchange of Nayarit Common Shares for shares of Capital Gold Common Stock, all Nayarit Common Shares shall, by virtue of the Amalgamation and without any action on the part of the Nayarit Stockholders, be automatically cancelled and shall cease to exist, and each Nayarit Stockholder shall cease to have any rights with respect thereto, except the right to receive the Amalgamation Consideration, subject to the terms and conditions of the agreement. The Nayarit outstanding options and warrants shall be exercisable for or satisfied with the issuance of (and the holder thereof shall accept), in lieu of the number of Nayarit Common Shares otherwise issuable thereunder, the number of shares of Capital Gold common stock which the holder would have been entitled to receive as a result of the transactions contemplated by the Amalgamation if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Nayarit Common Shares to which such holder was theretofore entitled under such Nayarit options and warrants.

The Amalgamation is subject to Capital Gold and Nayarit stockholder approval and other usual and customary closing conditions. The Amalgamation is currently expected to be completed in June 2010, subject to receipt of Capital Gold and Nayarit stockholder approval and other usual and customary closing conditions.

2. Basis of Presentation

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with Accounting Standards Codification, or ASC, Topic 805, Business Combinations, or ASC 805, and was based on the historical financial statements of Capital Gold and Nayarit. In Amalgamation transactions in which the consideration is not in the form of cash, measurement of the acquisition consideration is based on the fair value of the consideration given or the fair value of the asset (or net assets) acquired whichever is more clearly evident and, thus, more reliably measurable. The acquisition method of accounting is based on ASC 805 and uses the fair value concepts defined in ASC 820, Fair Value Measurements and Disclosures.

ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their acquisition date fair values and that the fair value of intangibles are recognized regardless of their intended use. The costs of the acquisition will be expensed. In addition, ASC 805 establishes that the consideration transferred be measured at the closing date of the Amalgamation at the then-current market price. This particular requirement may result in the equity consideration being valued differently from the amount reflected in these unaudited pro forma condensed combined financial statements. See Note 3 for the estimate of consideration expected to be transferred.

ASC 820 defines the term "fair value" and sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by market participants. Accordingly, Capital Gold may be required to record assets which are not intended to be used or sold and/or to value assets at fair value measures that do not reflect Capital Gold's intended use of such assets. Many of these fair value measurements can be highly subjective and it is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

The unaudited pro forma financial information presented for Capital was prepared based on the historical financial statements of Nayarit prepared and presented in Canadian dollars and were translated from Canadian dollars to U.S. Dollars at the spot rate for the balance sheet data and the average exchange rate for the applicable period for the statement of operations data. In addition, the historical financial statements for Nayarit used in the preparation of the pro forma financial statements were adjusted to reflect the reconciliation from Canadian GAAP to US GAAP. The main adjustment to the unaudited pro forma condensed consolidated balance sheet as of January 31, 2010, was a reduction in exploration property interests of \$19,328. The main adjustments to the unaudited pro forma condensed combined statement of operations for the year ended July 31, 2009 and for the six months ended January 31, 2010, resulted in an addition to exploration expense of \$5,839 and \$960, respectively.

The unaudited pro forma condensed combined financial information for Capital was based on Nayarit's historical consolidated financial statements for the fiscal year ended September 30, 2009 and for the quarterly period ended December 31, 2009. The unaudited pro forma condensed consolidated balance sheet as of January 31, 2010, was prepared based on Nayarit's unaudited historical consolidated balance sheet as of December 31, 2009. The unaudited pro forma condensed combined statement of operations for the year ended July 31, 2009, was prepared based on Nayarit's audited statement of operations for the year ended September 30, 2009. The unaudited pro forma condensed combined statement of operations for the six months ended January 31, 2010, was prepared based on combining Nayarit's unaudited statement of operations for the three months ended September 30, 2009 as well as the unaudited statement of operations for the three months ended December 31, 2009.

3. Estimate of Consideration Expected to be Transferred

The following is a preliminary estimate of consideration to be transferred to effect the Amalgamation:

	Conversion Calculation	Estimated Fair Value	Form of Consideration
(In thousands, except per share amounts)			
Number of Nayarit shares outstanding as of the Amalgamation date(1)	90,260		
Exchange ratio(1)	0.134048		
Number of shares to be issued to Nayarit shareholders	12,099		
Assumed value of Capital Gold common shares to be issued(1)	\$ 3.52	\$ 42,588	Capital Gold Common stock
Assumed value of Nayarit's options and warrants to be exchanged for Capital Gold options and warrants		1,749	Capital Gold Options and Warrants
Estimate of consideration expected to be transferred		\$ 44,337	

(1) In accordance with ASC 805, the fair value of equity securities issued as part of the consideration transferred will be the closing market price of Capital Gold's common stock on the effective date of the Amalgamation. For purposes of determining the consideration transferred within these pro forma financial statements, the Capital Gold common share price on February 10, 2010 of \$3.52 was used in the calculation. The pro forma shares to be issued assumes the

issuance of 12,099,135 common shares, which is calculated by multiplying 0.134048 by 90,259,548, being the number of shares of Nayarit common stock outstanding on February 10, 2010. Nayarit shareholders will own approximately 19.97% of the issued and outstanding shares of Capital Gold common stock.

(2) The Nayarit outstanding options and warrants shall be exercisable for or satisfied with the issuance of (and the holder thereof shall accept), in lieu of the number of Nayarit Common Shares otherwise issuable thereunder, the number of shares of Capital Gold common stock which the holder would have been entitled to receive as a result of the transactions contemplated by the Amalgamation if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Nayarit Common Shares to which such holder was theretofore entitled under such Nayarit options and warrants. For these pro forma financial statements and for determining the fair value of consideration paid with regard to Nayarit's options and warrants, a weighted average exercise price of \$0.65 and \$0.70 has been used for all options and warrants respectively.

4. Estimate of Assets to be Acquired and Liabilities to be Assumed

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by Capital Gold as a result of the Amalgamation as of January 31, 2010:

	(In thousands)
Assets	
Current assets(i)	\$ 2,557
Property and equipment, net(ii)	222
Exploration property interests (iii)	48,048
Identifiable intangible assets (iv)	-
Goodwill(v)	-
Total Assets	\$ 50,827
Liabilities	
Current liabilities(vi)	\$ 402
Long-term income tax liabilities (vii)	6,088
Total liabilities	\$ 6,490
Estimate of consideration to be transferred	\$ 44,337

(i) Current assets include \$1,350 of cash, \$1,200 of prepaid expenses, IVA receivables, and other current assets and \$7 in short term investments.

(ii) Property and equipment is predominately comprised of property, plant and equipment. For the purpose of determining a preliminary estimate of the assets to be acquired, property and equipment was estimated to be the net book value as of January 31, 2010, as these assets represent 0.5% of the estimated consideration expected to be transferred.

(iii) Exploration property interests are deferred until such time as the properties are either placed into commercial production, sold, determined not to be economically viable, or abandoned. Exploration property interests will be amortized on the units-of-production basis over the estimated useful lives of the properties following the commencement of production, or written off if the properties are sold, or abandoned.

(iv) There were no identifiable intangibles included with this transaction. All acquisition costs and fair values associated with Nayarit's properties are included within exploration property interests. There are no customer relationships, trade names, software, etc. identified as intangible assets recognized as part of the Amalgamation.

(v) Goodwill represents the excess of the preliminary purchase price over the estimated value of assets acquired and liabilities assumed. Based upon the Company's preliminary allocation using estimates, assumptions, valuations and other studies, it was determined that there was no goodwill associated with this transaction.

(vi) Current liabilities include \$402 of accounts payable and accrued liabilities.

(vii) Other long-term liabilities include \$6,088 of deferred tax liabilities. The estimated measurement of deferred income tax assets from the acquisition of net operating loss carry forwards of Nayarit was reduced by a valuation allowance for any tax benefits, which are, on a more likely than not basis, not expected to be realized. As of September 30, 2009, Nayarit's deferred tax asset associated with its net operating loss carry forwards was \$2.068 which was fully reserved for.

The allocation of the estimated acquisition consideration is preliminary because the proposed Amalgamation has not yet been completed. The preliminary allocation is based on estimates, assumptions, valuations and other studies which have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the acquisition consideration allocation pro forma adjustments will remain preliminary until Capital Gold's management determines the final acquisition consideration and the fair values of assets acquired and liabilities assumed. The final determination of the acquisition consideration allocation is anticipated to be completed as soon as practicable after completion of the Amalgamation. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited pro forma condensed combined financial statements.

5. Pro Forma Adjustments and Assumptions

Adjustments included in the "Pro Forma Adjustments" column represent the following:

		(In thousands)
(a)	Estimated transaction costs of Capital Gold and Nayarit remaining to be paid	\$ 2,161
(b)	Reflects the pro forma impact of the exploration property interests of Nayarit which have been allocated to exploration property interests. Exploration property interests will be amortized on the units-of-production basis over the estimated useful lives of the properties following the commencement of production, or written off if the properties are sold, or abandoned.	
	Estimated Fair Market Value (In thousands, other than useful life estimate)	Estimated Useful Life
	Exploration property interests	\$ 44,012 (1)
	Total	\$ 44,012

(1) Exploration property interests will be amortized on the units-of-production basis over the estimated useful lives of the properties following the commencement of production, or written off if the properties are sold, or abandoned.

- (c) Reflects the reversal of accounts payable and accrued transaction costs of \$193 that were reflected within the companies' historical January 31, 2010 balance sheets. For purposes of these pro forma financial statements, all incurred and estimated remaining transaction costs were treated as reductions in cash and cash equivalents.
- (d) Reflects an estimate of the tax impacts of the acquisition on the balance sheet and income statement, primarily related to estimated fair value adjustments for exploration property interests. The estimated rate is based on the historical effective tax rate for Capital Gold's wholly-owned subsidiary in Mexico, Minera Santa Rita S. de R.L. de C.V. ("MSR") which is 28% for the periods ending July 31, 2009 and January 31, 2010, respectively. Capital Gold believes that using the historical effective tax rate for MSR is factually supportable in that it is derived from statutory rates and recognizes that MSR is the only material income tax paying entity within the combined company. The actual effective tax rate of the combined company could be significantly different (either higher or lower) than the estimated tax rate and depends on post-acquisition activities, including repatriation decisions. On January 1, 2010, the Mexican government enacted legislation, which increases the regular income tax rate from 28% to 30%. The regular income tax rate will decrease to 29% in 2013 and then back to 28% in 2014, according to legislation. The preliminary estimate of the deferred tax liability at January 31, 2010 was computed using a rate of 28% and could be significantly different (either higher or lower) depending upon several factors, including the allocation of Amalgamation consideration by jurisdiction.

	(In thousands)
(e)	
Elimination of Nayarit's historical equity	\$ (6,413)
Issuance of Capital Gold's common stock	44,337
Estimated transaction costs remaining to be incurred	(2,188)
Net pro forma adjustment	\$ 35,736

- (f) Reflects the pro forma impact of the reversal of transaction costs incurred through January 31, 2010.

For the six months
ended January 31, 2010

(In thousands)

Reversal of Capital Gold and Nayarit transaction costs incurred	\$	216
Pro Forma Adjustment	\$	216

(g) Reflects the pro forma impact of change in control payments to an executive officer of \$220.

72

INFORMATION ABOUT CAPITAL GOLD

Capital Gold Corporation is engaged in the mining, exploration and development of gold properties in Mexico. Our primary focus is on the operation and development of the El Chanate project, and Capital Gold also conducts gold exploration in other locations in Sonora, Mexico. (The financial data in this discussion is in thousands, except where otherwise specifically noted.)

Sonora, Mexico Concessions

Through wholly-owned subsidiaries, Capital Gold owns 100% of 16 mining concessions located in the Municipality of Altar, State of Sonora, Republic of Mexico totaling approximately 3,544 hectares (8,756 acres or 13.7 square miles). Capital Gold commenced mining operations on two of these concessions in late March 2007 and achieved gold production and revenue from operations in early August 2007. Capital Gold sometimes refers to the operations on these two concessions as the El Chanate Project. Capital Gold's results of operations differ from the fiscal year ended July 31, 2007 because it is now realizing revenue from operations.

In April 2008, Capital Gold leased 12 mining concessions totaling 1,790 hectares located northwest of Saric, Sonora. In addition, Capital Gold owns a claim for approximately 2,304 additional hectares adjacent to this property. The approximate 4,000 hectare area is accessible by paved roads and has cellular phone service from hilltops. These concessions and this claim are about 60 miles northeast of the El Chanate project. Mineralization is evident throughout the concession group and is hosted by shear zones and stockwork quartz veins in volcanic and intrusive rocks. Capital Gold has completed exploration work consisting of geological mapping, systematic geochemical sampling of rock and soils, geophysical surveys, trenching and 32 reverse circulation drill holes totaling 2,560 meters. The results of this early work has justified an expanded drill campaign which is currently underway and consists of 23 reverse circulation drill holes between 100 to 150 meters deep totaling 2,100 meters. All of these holes will be focused on the northern part of the concession group near the Sombretillo Ranch. These holes will vary in depth from 40 to 50 meters. SRK of Lakewood, Colorado has made a site visit and will monitor the quality assurance and quality control during the drilling campaign. All of the drill hole samples have been and will be assayed by ALS Chemex. The ALS Chemex facility in Hermosillo does the sample preparation, and the assays are performed at the ALS Chemex's Vancouver laboratory. ALS Chemex laboratories provide the highest level of quality and have ISO 9001:2000 certification at all locations.

Properties

El Chanate Properties – Sonora, Mexico

Through Capital Gold's wholly-owned subsidiary, Oro de Altar S. de R. L. de C.V. ("Oro"), Capital Gold owns 100% of the following 21 mining concessions, all of which are located in the State of Sonora United States of Mexico.

The 21 mining concessions are as follows:

Lot	Title #	Hectars	Owner
1 SAN JOSE	200718	96.00	Oro
2 LAS DOS VIRGEN	214874	132.235	Oro
3 RONO #1	206408	82.1902	Oro
4 RONO #3	214224	197.218	Oro
5 LA CUCHILLA	211987	143.3481	Oro
6 ELSA	212004	2,035.3997	Oro
7 ELISA	214223	78.4717	Oro

Edgar Filing: CAPITAL GOLD CORP - Form POS AM

8 ENA	217495	190.00 Oro
9 EVA	212395	416.8963 Oro
10 MIRSA	212082	20.5518 Oro
11 OLGA	212081	60.589 Oro
12 EDNA	219624	24.0431 Oro
13 LA TIRA	219324	1.7975 Oro
14 LA TIRA 1	219623	18.6087 Oro
15 LOS TRES	223634	8.00 Oro

Lot	Title #	Hectars	Owner
16 EL CHARRO	206404	40.00	Oro
17 SANTA RITA 4 FRACCION I	233574	5.0728	Oro
18 SANTA RITA 4 FRACCION II	233575	4.7786	Oro
19 SANTA RITA 4 FRACCION III	233576	110.2725	Oro
20 SANTA RITA I	231373	3,765.9666	Oro
21 SANTA RITA III	232117	2,233.3163	Oro
	Total	9,664.7559	

At the El Chanate Project Capital Gold is mining on two concessions, San Jose and Las Dos Virgens. Capital Gold is utilizing four other concessions for processing mined ores. In the future, Capital Gold plans to explore some or all of these concessions to determine whether or not further activity is warranted.

During the fiscal years ended July 31, 2008 and 2009, Capital Gold completed 39 core and reverse circulation drill holes to delineate additional reserves at the El Chanate open pit mine. These holes totaled approximately 7,800 meters, and were targeted to fill in gaps in the ore body and test the outer limits of the currently known ore zones. Inclusive of this drilling, the total number of drill holes at the El Chanate mine is currently 367. This combination of reverse circulation and core drilling totals 54,320 meters. The knowledge obtained about the geology of the deposit during mining, combined with the assays from the samples from this exploration drilling, was used to expand the information in our mine database. Capital Gold has used this data to re-estimate El Chanate's mineral reserves. The new mineral reserves are based on an updated block model and an updated mine plan and production schedule developed by IMC ("2009 Report"). The updated pit design for the revised plan is based on a plant recovery of gold that varies by rock types, but is expected to average 64.2% over the mine life. A gold price of \$750 per ounce (SEC three year average as of March 20, 2009) was used to estimate the reserves compared to a gold price of \$550 per ounce used in the prior estimate. The stated proven and probable mineral reserves have been prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definitions.. A technical report supporting this estimate was finalized that complies with Canada's National Instrument 43-101 Standards of Disclosure for Mineral Projects. These reserves are equivalent to proven and probable reserves as defined by the United States Securities and Exchange Commission (SEC) Industry Guide 7.

According to the 2009 Report, Capital Gold's proven and probable reserves have increased to 43.1 million metric tonnes with a gold grade of 0.66 grams per tonne (47.6 million U.S. short tons at 0.019 ounces per ton) net of depletion of 5,662,000 tonnes (through the end of December 2008). The open pit stripping ratio is 1.24:1 (1.24 tonnes of waste to one tonne of ore). The following Summary is extracted from the 2009 Report. Please note that the reserves as stated are an estimate of what can be economically and legally recovered from the mine and, as such, incorporate losses for dilution and mining recovery. The 913,400 ounces of contained gold represents ounces of gold contained in ore in the ground, and therefore does not reflect losses in the recovery process. Total gold produced is estimated to be 586,000 ounces, or approximately 64.2% of the contained gold. Individual portions of the ore body may experience varying recovery rates ranging from about 73% to 48%. Oxidized and sandstone ore types may have recoveries of about 73%; fault zone ore type recoveries may be about 64%; siltstone ore types recoveries may be about 48% and latite intrusive ore type recoveries may be about 50%.

El Chanate Mine

Material Reserves and Production Summary:

	Metric	U.S.
Materials		
Reserves		
Proven	20.9 Million Tonnes @ 0.772 g/t(1)	23.0 Million Tons @ 0.0225 opt(1)
Probable	14.9 Million Tonnes @ 0.702 g/t(1)	16.5 Million Tons @ 0.0205 opt(1)
Low Grade Stockpile (Probable)	7.3 Million Tonnes @ 0.246 g/t(1)	8.1 Million Tons @ 0.0007 opt(1)
Total Reserves(2)	43.1 Million Tonnes @ 0.659 g/t(1)	47.6 Million Tons @ 0.0192 opt(1)
Waste	53.6 Million Tonnes	58.9 Million Tons
Total	96.7 Million Tonnes	106.5 Million tons
Contained Gold	28.41 Million grams	913,400 Oz
Production		
Ore Crushed	5.0 Million Tonnes /Year 13,699 Mt/d(1)	5.51 Million Tons/Year 15,100 t/d(1)
Operating Days/Year	365 Days per year	365 Days per year
Gold Plant Average Recovery	64.20 %	64.20%
Average Annual Production	2.21 Million grams	71,079 Oz
Total Gold Produced	18.24 Million grams	586,403 Oz

(1) "g/t" means grams per metric tonne, "opt" means ounces per ton, "Mt/d" means metric tonnes per day and "t/d" means tons per day.

(2) The reserve estimates are based on a gold cutoff grade of 0.20 grams per metric tonne.

The 2009 reserve modeling has been modified from previous methodology to closely reconcile with the production results through December 2008. The 2009 model uses indicator kriging to define mineralized zones followed by

block grade estimation utilizing inverse distance estimation.

In the mineral resource block model developed, with blocks 6m (meters) x 6m x 6m high, Measured and Indicated resources (corresponding to Proven and Probable reserves respectively when within the pit design) were classified in accordance with the following scheme:

- Blocks with 2 or more drill holes within a search radius of 80m x 70m x 15m and with a relative kriging standard deviation less than or equal to 0.45 were classified as Measured (corresponding to Proven);
- Blocks with 1 hole within the search radius of 80m x 70m x 15m and with a relative kriging standard deviation of 0.60 or less, blocks with 2 holes and a kriging standard deviation of 0.70 or less, blocks with 3 holes and a kriging standard deviation of 0.80 or less, blocks with 4 holes and a relative kriging standard deviation of 0.90 or less and all blocks with 5 or more holes within the search radius were classified as Indicated (corresponding to Probable), unless they met the above criterion for Proven;

- Blocks with a grade estimate that did not meet the above criteria were classified as Inferred (and which was classed as waste material in the mining reserves estimate); and
- Blocks outside the above search radii or outside suitable geological zones were not assigned a gold grade or a resource classification.

The mine plan used as the basis for the reserve is based on operating gold cutoff grades of 0.25 to 0.30 grams/tonne, depending on the operating year. The variation is due to balancing the mine and plant production capacities on a year by year basis for the plan. The internal (in-pit) and break even cutoff grade calculations are as follows:

Cutoff Grade Calculation	Internal Cutoff Grade	Break Even Cutoff Grade
Basic Parameters		
Gold Price	US\$750/oz	US\$750/oz
Shipping and Refining	US\$ 1.00/oz	US\$ 1.00/oz
Gold Recovery*	64.2%	64.2%
Royalty	4% of NSR	4% of NSR
Operating Costs per Tonne of Ore		
	\$ per Tonne of Ore	\$ per Tonne of Ore
Mining	1.156	1.156
Processing/G&A	2.683	2.683
Total	3.839	3.839
Cutoff Grade		
	Grams per Tonne	Grams per Tonne
Head Grade Cutoff (64.2% average recov.)	0.19 g/t Au	0.27 g/t Au
Recovered Gold Grade Cutoff	0.12	0.17

* Plant recovery of gold varies by rock type but is expected to average 64.2% based on work done to date.

The following table represents a summary of cumulative activity in connection with Capital Gold's proven and probable mineral reserves:

	July 31, 2009	July 31, 2008	July 31, 2007
Proven and probable mineral reserve (Ktonnes of ore)			
Ore	-	-	-
Beginning balance (Ktonnes)	35,417	38,916	19,868
Additions	9,342	-	19,593
Reductions	(3,848)	(3,499)	(545)
Ending Balance	40,911	35,417	38,916
Contained gold			
Beginning balance (thousand of ounces)	719	814	490
Additions	239	-	342
Reductions	(99)	(95)	(18)
Ending Balance	859	719	814

During 2009 and subsequent to the fiscal year ended July 31, 2009, Capital Gold conducted exploration activities in the El Chanate pit area including, core drilling at depth to determine the potential of increasing its reserves further. The data obtained from geological mapping of the deposit's mine pit areas, combined with assays from samples of the

exploration drilling therein, were used to expand information in Capital Gold's mine database. SRK Consulting, Inc. U.S. (SRK) of Lakewood, Colorado, an independent consulting firm, used this data to re-estimate El Chanate's Mineral Reserves. The table below shows the updated Proven and Probable reserves at El Chanate as of October 2009:

Mineral Reserve Class	Ore (tonnes)	Grade (g/t)	Contained Gold (oz.)
Proven Mineral Reserve	22,401,000	0.70	503,000
Probable Mineral Reserve	48,155,000	0.65	1,001,000
Proven and Probable Mineral Reserve	70,557,000	0.66	1,504,000

The new mineral reserves are based on an updated resource block model and an updated mine plan and mine production schedule both developed by SRK. The updated pit design for the revised plan is based on a plant recovery of gold that varies by rock type, but has a weighted average recovery of 58.25%. A gold price of US\$800 per ounce (SEC three year average as of September 2009) was used to estimate the reserves. The stated proven and probable mineral reserves have been prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definitions. A technical report supporting this estimate is being finalized that complies with National Instrument 43-101 Standards of Disclosure for Mineral Projects and will be filed on SEDAR shortly. These reserves are equivalent to proven and probable reserves as defined by the United States Securities and Exchange Commission (SEC) Industry Guide 7.

El Chanate is an open pit heap leach mining and processing operation. Ore is hauled by truck from the pits to the processing plant. The recovery of gold from certain gold ores is achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is treated with a cyanide bearing solution, which dissolves gold and silver contained within the ore. The resulting “pregnant” solution is further processed in a plant where the gold is recovered. The mining and other mobile equipment is refurbished as is the smaller of the two ADR processing plants. All other equipment and infrastructure at the El Chanate mine are new. Management continuously analyzes production results and considers improvements and modernizations as deemed necessary.

Equipment and infrastructure include: A three stage crushing plant, a fleet of haul trucks, loaders and mining support equipment, a leach pad and solution holding ponds, two ADR processing plants, and a refinery. In addition, there are numerous ancillary support facilities including warehouses, maintenance shops, roadways, administrative offices, power and water supply systems, and a fully equipped assay and metallurgical laboratory.

During fiscal 2008 and 2009, Capital Gold identified certain restrictions related to its ADR plant capacity which limited the amount of solution that can be processed. Capital Gold addressed these issues by increasing the installed pumping capacity to increase solution flow to the leach pad. Capital Gold also purchased and installed an additional set of carbon columns and a strip vessel to process an additional two tonnes of carbon per strip. The installation and commissioning of this new ADR plant was completed at the end of October 2008. In May 2009, Capital Gold completed the procurement and installation of an additional secondary crusher and tunnel conveyor that allowed it to increase production from 7,500 tonnes per day to 13,000 tonnes per day of crushed ore. In August 2009, Capital Gold initiated the construction of an additional leach pad. Permitting and site clearing has been completed and the construction contractor has begun with the site preparation and other earthworks. Golder Engineering of Tucson, Arizona will oversee construction activities and quality control and quality assurance for the project. The construction schedule anticipates that stacking ore on the new pad will commence in January 2010. The total cost of the completed leach pad will be approximately \$3,300. In October 2009, Capital Gold committed to the purchase of an additional tertiary crusher and screen module for the El Chanate mine. The total cost for the module is approximately \$1,000 with one-third due upon execution of the sales order, one-third due in 30 days and one-third upon shipment. Once this equipment is installed and functioning, Capital Gold expects production to increase to approximately 70,000 ounces of gold per annum.

Capital Gold commenced gold production at the El Chanate mine on July 31, 2007. During the fiscal years ended July 31, 2009 and 2008, Capital Gold sold 48,418 and 39,102 ounces of gold, respectively. Management has been and anticipates that it will continue to fund expansion costs with its cash flow from operations.

Surface Property Ownership

Anglo Gold purchased surface property ownership, consisting of 466 hectares in Altar, Sonora, on January 27, 1998. The ownership was conveyed to Capital Gold's subsidiary, Oro de Altar S.A. de C.V., in 2002. MSR, one of Capital Gold's wholly-owned Mexican subsidiaries, has a lease on the property for the purpose of mining the Chanate gold deposit. The purchase transaction was recorded as public deed 19,591 granted by Mr. Jose Maria Morera Gonzalez, Notary Public 102 of the Federal District, registered at the Public Registry of Property of Caborca, Sonora, under number 36026, book one, volume 169 of the real estate registry section on May 7, 1998.

Capital Gold purchased surface property ownership, consisting of 220 hectares in Altar, Sonora, in March 2009, adjacent to the El Chanate mine in order to accommodate future leach pad expansion requirements. The purchase transaction was recorded as public deed number 18,174, dated March 26, 2009, issued by Mr. José Antonio Dávila Payán, Notary Public number 3 in Caborca, Sonora.

General Information and Location

The El Chanate Project is located in the State of Sonora, Mexico, 37 kilometers northeast of the town of Caborca and nine kilometers from a paved road. It is accessible by an all weather dirt road. Driving time from Caborca is approximately 30 minutes. Access from Caborca to the village of 16 de Septiembre (“Ejido”) is over well maintained National highways. Capital Gold acquired rights for service road access from the Ejido, and constructed this road.

The project is situated on the Sonora desert in a hot and windy climate, generally devoid of vegetation with the exception of cactus. The terrain is generally flat with immense, shallow basins, scattered rock outcropping and low rocky hills and ridges. The desert floor is covered by shallow, fine sediment, gravel and caliche. The delineated ore zone and current mine plan covers an area of approximately 5,576 feet long by 2,558 feet wide. There is evidence of potential additional mineralization within the El Chanate concessions that warrant further exploration.

In 2005, Capital Gold acquired 15 year rights of way to access the El Chanate Project from the Ejido and local ranchers. Capital Gold subsequently purchased an extension of its rights-of-way from 15 to 30 years. Capital Gold acquired a water allocation and water well that draws from a large regional aquifer. The 2005 feasibility study indicated our average life of mine water requirements, at that time, for ore processing only, will be about 94.6 million gallons per year (11.4 liters per second). The amount of water Capital Gold was permitted to pump from the well was approximately 71.3 million gallons per year (8.6 liters per second). During the fiscal years ended July 31, 2008 and 2009, on two occasions Capital Gold acquired additional water right permits that allow it to pump up to 149.5 million gallons per year. Based on current water consumption, Capital Gold has sufficient water to meet its current requirements.

In December 2005, MSR entered into a Mining Contract with Sinergia. The Mining Contract, as amended, became effective November 1, 2006 and work commenced on March 25, 2007 (the “Commencement Date”). Pursuant to an amendment to the Mining Contract, the mining rates set forth in that contract are subject to adjustment for the rate of inflation between September 23, 2005 and the Commencement Date. Pursuant to the Mining Contract, Sinergia, using its mining fleet, is obligated to perform all of the mining, blasting and mine maintenance work at the El Chanate Project for the life of the mine at a predetermined mining rate and fleet size. Sinergia’s mining rates are subject to escalation on an annual basis. This escalation is tied to the percentage escalation in Sinergia’s costs for equipment parts, interest rates and labor. One of the principals of Sinergia (“FG’s Successor”) is one of the former principals of Grupo Minero FG S.A. de C.V. (“FG”). FG is Capital Gold’s former joint venture partner.

Historical workings suggest that the area has been mined for gold since the early 19th century. A number of old underground workings exist characterized by narrow shafts, to a depth of several tens of feet and connecting drifts and cross cuts. The current open pit mine has been developed below the existence of historical small scale mining.

Geology

The project area is underlain by sedimentary rocks of the Late Jurassic – Early Cretaceous Bisbee Group, and the Late Cretaceous Chanate Group, which locally are overlain by andesites of the Cretaceous El Charro volcanic complex. The sedimentary strata are locally intruded by andesitic sills and dikes, a microporphyrritic latite and by a diorite stock. The sedimentary strata are comprised of mudstone, siltstone, sandstone, conglomerate, shale and limestone. Within the drilled resource area, a predecessor exploration company differentiated two units on the basis

of their position relative to the Chanate fault. The upper member is an undifferentiated sequence of sandstone, conglomerate and lesser mudstone that lies above the Chanate fault and it is assigned to the Escalante Formation of the Middle Cretaceous Chanate Group. The lower member is comprised of mudstone with mixed in sandstone lenses and thin limestone interbeds; it lies below the Chanate fault and is assigned to the Arroyo Sasabe Formation of the Lower Cretaceous Bisbee Group. The Arroyo Sasabe formation overlies the Morita Formation of the Bisbee Group. Both the Escalante and Arroyo Sasabe formations are significantly mineralized proximal to the Chanate fault, while the Morita Formation is barren.

The main structural feature of the project area is the Chanate fault, a 7 km long (minimum) northwest-striking, variably southwest-dipping structure that has been interpreted to be a thrust fault. The Chanate fault is overturned (north-dipping) at surface, and is marked by brittle deformation and shearing which has created a pronounced fracture foliation and fissility in the host rocks. In drill holes the fault is often marked the presence of an andesite dike. Reports prepared by a predecessor exploration company describe the fault as consisting of a series of thrust ramps and flats; however, geologic cross sections which Capital Gold has reviewed but did not prepare may negate this interpretation.

Alteration/Mineralization

A predecessor exploration company defined a 600 meter long, 300 meter wide, 120 meter thick zone of alteration that is centered about the Chanate fault. The strata within this zone are silicified and pyritized to varying degrees. In surface outcrop the mineralized zone is distinguished by its bleached appearance relative to unmineralized rock. The mineralized zone contains only single digit ppm (parts per million) levels of gold. Dense swarms of veinlets form thick, mineralized lenses, within a larger area of sub-economic but anomalous gold concentrations. Drill hole data indicates the mineralized lenses are sub-horizontal to gently southwest-dipping and are generally parallel to the Chanate fault. The fault zone itself is generally weakly mineralized, while strata in the adjacent hanging and footwalls are well mineralized.

Capital Gold's Acquisition and Ownership of the El Chanate Project

In June 2001, Capital Gold purchased 100% of the issued and outstanding stock of Minera Chanate, S.A. de C.V. from AngloGold North America Inc. and AngloGold (Jerritt Canyon) Corp. Minera Chanate's assets at the time of the closing of the purchase consisted of 106 exploitation and exploration concessions in the States of Sonora, Chihuahua and Guerrero, Mexico. By June 2002, after property reviews and to minimize tax payments, the 106 concessions had been reduced to 12 concessions. To cover certain non-critical gaps between concessions, four new concessions were acquired, and the number of concessions is now 16. These concessions are contiguous, totaling approximately 3,543 hectares (8,756 acres or 13.7 square miles). Although there are 16 concessions, Capital Gold is only mining two of these concessions at the present time. Capital Gold also owns outright 466 hectares (1,151 acres or 1.8 square miles) of surface rights at El Chanate and no third party ownership or leases exist on this fee land or the El Chanate concessions. In the future, assuming adequate funding is available, Capital Gold plans to conduct exploration activities on some of the other concessions.

Pursuant to the terms of the agreement with AngloGold, in December 2001, Capital Gold made a \$50 payment to Anglo Gold. Anglo Gold will be entitled to receive the remainder of the purchase price by way of an ongoing percentage of net smelter returns of between 2% and 4% plus a 10% net profits interest (until the total net profits interest payment received by AngloGold equals \$1,000). Anglo Gold's right to a payment of a percentage of net smelter returns and the net profits interest will terminate when they aggregate \$18,018. In accordance with the agreement, the foregoing payments are not to be construed as royalty payments. Should the Mexican government or other jurisdiction determine that such payments are royalties, Capital Gold could be subjected to and would be responsible for any withholding taxes assessed on such payments. During the first part of calendar 2008, Royal Gold, Inc. acquired from Anglo Gold the right to receive both the net smelter returns of between 2% and 4% plus and the 10% net profits interest which terminates at such point as they aggregate \$18,018. As of July 31, 2009, Capital Gold has incurred approximately \$3,082 with regard to the net smelter return. In addition, in March 2009, Capital Gold paid the total \$1,000 net profit interest to Royal Gold. As of July 31, 2009, Capital Gold has approximately \$13,936 remaining to be incurred on the net smelter return.

Under the terms of the agreement, Capital Gold had granted AngloGold the right to designate one of its wholly-owned Mexican subsidiaries to receive a one-time option to purchase 51% of Minera Chanate (or such entity that owns the El Chanate concessions at the time of option exercise). That option was exercisable over a 180-day period commencing at such time as Capital Gold notified Anglo Gold that Capital Gold had made a good faith determination that it had gold-bearing ore deposits on any one of the identified groups of El Chanate concessions, when aggregated with any ore that Capital Gold has mined, produced and sold from such concessions, in excess of 2,000,000 troy ounces of contained gold. The exercise price would equal twice Capital Gold's project costs on the properties during the period commencing on December 15, 2000 and ending on the date of such notice. In January 2008, Capital Gold made a good faith determination and notified AngloGold that the drill indicated resources at the El Chanate gold mine exceeded two million ounces of contained gold. The term "drill indicated resources" is defined in the agreement. A drill indicated resource number does not rise to the level of, and should not be considered proven and probable reserves as those terms are defined under guidelines of the Securities Exchange Commission ("SEC"). On July 1, 2008, AngloGold notified Capital Gold that it would not be exercising its option.

El Oso Project - Saric Properties – Sonora, Mexico

In April 2008, Capital Gold leased 12 mining concessions totaling 1,790 hectares located northwest of Saric, Sonora. In addition, Capital Gold owns a claim for approximately 2,304 additional hectares adjacent to this property. The approximate 4,000 hectare area is accessible by paved roads and has cellular phone service from hilltops. These concessions and this claim are about 60 miles northeast of the El Chanate project. Mineralization is evident throughout the concession group and is hosted by shear zones and stockwork quartz veins in volcanic and intrusive rocks. Capital Gold has completed exploration work consisting of geological mapping, systematic geochemical sampling of rock and soils, geophysical surveys, trenching and 32 reverse circulation drill holes totaling 2,560 meters. The results of this work justified an expanded drill campaign which is currently underway and consists of 23 reverse circulation drill holes totaling 2,100 meters. All of these holes will be focused on the northern part of the concession group near the Sombreretillo Ranch. These holes will vary in depth from 100 to 150 meters. SRK of Lakewood, Colorado has made a site visit and will monitor the quality assurance and quality control during the drilling campaign. All of the drill hole samples have been and will be assayed by ALS Chemex. The ALS Chemex facility in Hermosillo does the sample preparation, and the assays are performed at the ALS Chemex's Vancouver laboratory. ALS Chemex laboratories provide the highest level of quality and have ISO 9001:2000 certification at all locations.

The lease agreement, which allows Capital Gold to explore the property, required an initial payment of \$45 upon execution of the lease. In addition, Capital Gold is required to make ten payments of \$25 every four months initiating six months after execution of the lease agreement. The agreement also contains an option to acquire the mining concessions for a cash payment of \$1,500 at the end of the term (December 2010). If Capital Gold elects not to exercise this option, it would have the ability to mine the concessions by paying a 1% net smelter return to the owners of the leased concessions capped at \$3,000. Prior payments made under this lease agreement would be deductible from the \$3,000 cap.

Capital Gold continues to investigate other exploration projects in northern Mexico and other locations.

Other Properties

Capital Gold currently leases its headquarters located in New York, New York consisting of a suite of offices of approximately 3,800 square feet. Capital Gold also leases an administrative office in Caborca, Sonora, Mexico located near its El Chanate mine.

Competition

The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staffs and more equipment for exploration and development may be in a better position than us to compete for such mineral properties. Capital Gold's limited financial resources in relation to companies with greater resources may hinder its ability to compete for and acquire additional mineral properties.

Employees

As of October 7, 2009, Capital Gold had 162 full time and 13 temporary employees working at its El Chanate mine in Sonora, Mexico as well as 7 full time employees in the U.S. Capital Gold also utilizes a mining contractor at the El Chanate mine which had 55 personnel onsite.

Legal Proceedings

There is no material litigation currently pending against Capital Gold or any members of its management team in their capacity as such.

Capital Gold's Management's Discussion and Analysis of Financial Condition and Results of Operations for Years Ended July 31, 2009, 2008 and 2007

The following discussion relates to the three fiscal years ended July 31, 2009, 2008 and 2007. As disclosed in greater detail elsewhere in this proxy statement/prospectus, Capital Gold commenced mining operations and began to receive operating revenues in August 2007, shortly after the end of the fiscal year ended July 31, 2007 (the financial data in this discussion is in thousands, except where otherwise specifically noted).

Capital Gold utilizes certain non-GAAP performance measures and ratios in managing the business. Capital Gold believes these measures may provide users with additional meaningful comparisons between current results and results in prior operating periods. Non-GAAP financial measures should be viewed in addition to, and not as an alternative to, the reported operating results or cash flow from operations or any other measure of performance prepared in accordance with accounting principles generally accepted in the United States. In addition, the presentation of these measures may not be comparable to similarly titled measures other companies use. "Cash costs per ounce sold" is a non-GAAP measure which includes all direct mining costs, refining and transportation costs and by-product credits as well as royalties as reported in Capital Gold's financial statements. "Total cost per ounce sold" is a non-GAAP measure which includes "cash costs per ounce sold" as well as depreciation and amortization as reported in Capital Gold's financial statements.

Overview

You should read the following discussion and analysis of Capital Gold's financial condition and results of operations in conjunction with Capital Gold's financial statements and related notes included elsewhere in this proxy statement/prospectus.

Capital Gold's financial position was as follows:

(in thousands)	For the year ended July 31, 2009	For the year ended July 31, 2008
Total debt	\$ 8,000	\$ 12,500
Total stockholders' equity	\$ 37,882	\$ 28,197
Cash and cash equivalents	\$ 6,448	\$ 10,992
Working capital	\$ 20,646	\$ 15,825

During the fiscal year ended July 31, 2009 Capital Gold's debt and liquidity positions were affected by the following:

- Net cash provided from operations of \$7,536;
- Capital expenditures of \$5,174;
- Repayments on Credit Facility of \$4,500; and

- Proceeds from the issuance of common stock upon the exercise of warrants of \$319;

Looking Forward

Certain key factors will affect Capital Gold's future financial and operating results. These include, but are not limited to, the following (the financial data in this discussion is in thousands except for ounces and cash cost data):

- Fluctuations in gold prices;
- Capital Gold expects fiscal 2010 gold sales of approximately 60,000 ounces and 90,000 ounces of silver;
- Cash costs per ounce sold for fiscal 2010 are expected to be approximately \$330 per ounce;
- Capital Gold anticipates capital expenditures of approximately \$5,000 in fiscal 2010 with approximately \$3,300 being allocated to leach pad expansion and approximately \$1,000 for the addition of a new tertiary crusher and screening module;
- Repayments on Credit Facility of \$3,600 during fiscal 2010; and
- Capital Gold's fiscal year 2010 expectations, particularly with respect to sales volumes and cash costs per ounce sold, may differ significantly from actual quarter and full fiscal year results due to variations in: ore grades and hardness, metal recoveries, waste removed, commodity input prices, foreign currencies and gold sale prices.

Result of Operations

Fiscal year ended July 31, 2009 compared to fiscal year ended July 31, 2008

Net income for the years ended July 31, 2009 and 2008 was approximately \$10,407 and \$6,364, respectively, representing an increase of approximately 64% over the prior period. Net income before income taxes was \$15,949 and \$9,871 for the years ended July 31, 2009 and 2008, respectively, which represented an increase of 62%. Net income and net income before taxes increased primarily as a result of higher revenues from more ounces of gold being sold during the year ended July 31, 2009, as compared to the same period a year ago. Income tax expense increased in conjunction with the increase in net income before tax, which was anticipated.

Revenues & Costs Applicable to Sales

Gold sales for the fiscal year ended July 31, 2009 totaled approximately \$42,757 as compared to \$33,104 in the prior period representing an increase of approximately \$9,653 or 29%. Capital Gold sold 48,418 ounces at an average realizable price per ounce of approximately \$883 in the current period. Capital Gold sold 39,102 ounces at an average realizable price per ounce of \$847 during the same period last year.

Costs applicable to sales were approximately \$13,883 and \$10,690, respectively, for the year ended July 31, 2009 and 2008, an increase of approximately \$3,193 or 30%, which increased in conjunction with Capital Gold's increase in revenues. Cash costs of \$271 per ounce of gold sold for the year ended July 31, 2009 was 2% lower than the \$276 for the year ended July 31, 2008. The primary reason for this decrease in cash costs in the current year can be attributed to the 10% net profit interest paid to Royal Gold which was primarily incurred in the prior fiscal year. This was offset by a higher waste-to-ore strip ratio of 1.12 to 1 experienced during the fiscal year ended July 31, 2009 as compared to the prior fiscal year of 0.75 to 1. Capital Gold's increased production profile in the current fiscal year advanced the removal of more waste tonnes than in the prior year. Total costs of \$314 per ounce of gold sold for the year ended July 31, 2009, was 6% lower than the \$335 total cost in the prior period. The primary reason for this decrease in total costs was attributed to higher amortization charges recorded in the prior period related to the repurchase of the 5% net profit interest acquired from FG in 2006 for \$500.

Revenues from by-product sales, which consist of silver, are credited to Costs applicable to sales as a by-product credit. By-product sales amounted to \$1,076 and \$707 for the year ended July 31, 2009 and 2008, on silver ounces sold of 86,523 and 40,461, respectively.

Depreciation and Amortization

Depreciation and amortization expense during the year ended July 31, 2009 and 2008 was approximately \$3,019 and \$3,438, respectively. The primary reason for the decrease of approximately \$419, or 12%, was due to amortization charges recorded in the prior period related to the repurchase of the 5% net profit interest acquired from FG in 2006 for \$500. The \$500 was fully amortized during the quarterly period ended April 30, 2008. This was slightly offset by an increase in Units-of-Production depreciation and amortization mainly attributable to additional ounces being produced in the current period versus the same period in the prior year. Depreciation and amortization also includes deferred financing costs resulting from the credit arrangements entered into with Standard Bank. This accounted for approximately \$934 and \$1,088 of depreciation and amortization expense during the year ended July 31, 2009 and 2008, respectively, and also slightly contributed to the decrease in depreciation and amortization noted above.

General and Administration Expense

General and administrative expenses during the year ended July 31, 2009 were approximately \$5,464, a decrease of approximately \$122, or 2%, from the year ended July 31, 2008. The decrease in general and administrative expenses resulted primarily from: 1) lower salaries and wages primarily due to a decrease in cash bonuses of approximately \$345 during the current fiscal year compared to the prior year, 2) lower equity based compensation of approximately \$93 as compared to the prior year, 3) lower investor relations and travel expenses of approximately \$87. Offsetting these decreases were higher legal and financial advisor fees incurred as a result of Amalgamation and acquisition activity during the current year as well as higher audit fees associated with the attestation report issued on the effectiveness of Capital Gold's internal controls during the current period.

Exploration Expense

Exploration expense during the year ended July 31, 2009 and 2008 was approximately \$1,600 and \$938, respectively, or an increase of \$662, or 71%. The primary reasons for the increase can be attributed to increased activity during the current period associated with on-going exploration, drilling and geochemical work being conducted on Capital Gold's leased and owned concessions located northwest of Saric, Sonora. Exploration expense for the current period also included costs incurred from a 10 hole, deep core drilling campaign at Capital Gold's El Chanate mine totaling 2,500 meters. Exploration expense in the prior period included a drilling campaign initiated in December 2007 at El Chanate which consisted of 26 reverse circulation holes amounting to 4,912 meters. These drill holes were mainly positioned to test the outer limits of the currently known ore zones within the pit.

Other Income and Expense

Capital Gold's loss on the change in fair value of derivative instruments during the year ended July 31, 2009 and 2008, was approximately \$1,975 and \$1,356, respectively, and was reflected as Other Expense. The primary reason for the increase can be attributed to the settlement, on March 24, 2009, with Standard Bank, PLC, the remaining 58,233 ounces of gold under the original Gold Price Protection arrangements entered into in March 2006. The purpose of these arrangements at the time was to protect Capital Gold in the event the gold price dropped below \$500 per ounce. Total remuneration to unwind these arrangements was approximately \$1,906. In conjunction with the settlement of the gold price protection agreements, Capital Gold incurred an Other Expense of approximately \$1,391 during the current period. These contracts were not designated as hedging derivatives; and therefore, special hedge accounting does not apply.

Interest expense was approximately \$597 for the year ended July 31, 2009 compared to approximately \$1,207 for the same period a year earlier. This decrease was mainly due to lower interest charges incurred during the current period related to Capital Gold's credit arrangements with Standard Bank. As of July 31, 2009, there was \$8,000 outstanding on Capital Gold's term note.

Income Tax Expense

Income tax expense was \$5,542 during the fiscal year ended July 31, 2009, compared to \$3,507 in 2008 with an effective tax rate of 35% and 35%, respectively. The factors that most significantly impact Capital Gold's effective tax rate are valuation allowances related to deferred tax assets offset partially by lower statutory tax rates in Mexico. Current year income tax expense and deferred income tax expense amounted to \$3,909 and \$1,633 as of July 31, 2009, respectively. Prior year income tax expense and deferred income tax expense amounted to \$2,111 and \$1,396 as of July 31, 2008, respectively.

Mining operations are primarily conducted in Mexico. Mexico has tax laws, tax incentives and tax rates that are significantly different than those of the United States. On October 1, 2007, the Mexican government enacted legislation which introduced certain tax reforms as well as a new minimum flat tax system. This new flat tax system integrates with the regular income tax system and is based on cash-basis net income that includes only certain receipts and expenditures. The flat tax is set at 17.5% of cash-basis net income as determined, with transitional rates of 16.5% and 17.0% in 2008 and 2009, respectively. If the flat tax is positive, it is reduced by the regular income tax and any excess is paid as a supplement to the regular income tax. If the flat tax is negative, it may serve to reduce the regular income tax payable in that year or can be carried forward for a period of up to ten years to reduce any future flat tax.

Companies are required to prepay income taxes on a monthly basis based on the greater of the flat tax or regular income tax as calculated for each monthly period. Annualized income projections indicate that Capital Gold will not be liable for any excess flat tax for calendar year 2009 and, accordingly, have recorded a Mexican income tax provision as of July 31, 2009.

As the new legislation was recently enacted, it remains subject to ongoing varying interpretations. There is the possibility of implementation amendments by the Mexican government and the estimated future income tax liability recorded at the balance sheet date may change.

Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits, which, on a more likely than not basis, are not expected to be realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

During the fiscal years ended July 31, 2009 and 2008, Capital Gold completed a reconciliation of its U.S. book and tax basis assets and liabilities as well as a detailed analysis of its income taxes payable.

Based on the uncertainty and inherent unpredictability of the factors influencing Capital Gold's effective tax rate and the sensitivity of such factors to gold and other metals prices as discussed above, the effective tax rate is expected to be volatile in future periods.

For more information concerning income taxes, please see Note 21 within the Capital Gold consolidated financial statements incorporated by reference into this joint proxy statement/prospectus.

Changes in Foreign Exchange Rates

During the years ended July 31, 2009 and 2008, Capital Gold recorded equity adjustments from foreign currency translations of approximately \$2,731 and \$622, respectively. These translation adjustments are related to changes in the rates of exchange between the Mexican Peso and the U.S. dollar and are included as a component of other comprehensive income. The Mexican Peso and the U.S. dollar exchange rate as of July 31, 2009 was 12.9933. As of July 31, 2008, such exchange rate was 10.0483.

Summary of Annual Results

(000's except per share data and ounces sold)

For the year ended	For the year ended	For the year Ended
--------------------------	-----------------------	-----------------------

Edgar Filing: CAPITAL GOLD CORP - Form POS AM

	July 31, 2009	July 31, 2008	July 31, 2007
Revenues	\$ 42,757	\$ 33,104	\$ -
Net income (loss)	10,407	6,364	(7,472)
Basic net income (loss) per share	0.05	0.04	(0.05)
Diluted net income (loss) per share	0.05	0.03	-
Gold ounces sold	48,418	39,102	-
Average price received	\$ 883	\$ 847	-
Cash cost per ounce sold	\$ 271	\$ 276	-
Total cost per ounce sold	\$ 314	\$ 335	-

Summary of Results of Operations

	For the year ended July 31, 2009	For the year ended July 31, 2008	For the year ended July 31, 2007(1)
Tonnes of ore mined	3,847,883	3,498,612	545,089
Tonnes of waste removed	4,319,949	2,627,318	209,567
Ratio of waste to ore	1.12	0.75	0.38
Tonnes of ore processed	3,999,346	3,529,699	631,530
Grade (grams/tonne)	0.78	0.85	0.88
Gold (ounces)			
-Produced(2)	49,921	39,242	578
-Sold	48,418	39,102	-

(1) Commercial production at El Chanate commenced on July 31, 2007 and the operation was still in its ramp up phase and production results are not comparable.

(2) Gold produced each year does not necessarily correspond to gold sold during the year, as there is a time delay in the actual sale of the gold.

Fiscal year ended July 31, 2008 compared to fiscal year ended July 31, 2007

Net income for the year ended July 31, 2008 was approximately \$6,364 compared to a net loss of approximately \$7,472 for the year ended July 31, 2007. The principal reason for this increase was Capital Gold's transition to an operating company during the year ended July 31, 2008. Capital Gold's first gold sale occurred in August 2007. Net income per common share was \$0.15 for the year ended July 31, 2008, on a basic basis and \$0.13 on a diluted basis. The net loss per share for the same period in 2007 was \$0.20 on a basic basis. Basic and diluted net loss per share is computed using the weighted average number of shares of common stock outstanding during the period. Equivalent common shares, consisting of stock options and warrants, were excluded from the calculation of diluted net loss per share for the fiscal year ended July 31, 2007 since their effect was anti-dilutive.

Revenues and Costs Applicable to Sales

Gold revenue for the year ended July 31, 2008 totaled approximately \$33,104. Capital Gold sold 39,102 ounces at an average realizable price per ounce of approximately \$847. Costs applicable to sales were approximately \$10,690 for the current period. There were no metal sales for the same period in the prior year as Capital Gold had not yet realized revenue from its operations. Capital Gold's cash cost and total cost per ounce sold, excluding Royal Gold's 10% net profit interest, formerly owned by Anglo Gold, was \$257 and \$316, respectively, for the year ended July 31, 2008. If Capital Gold factors in this net profit interest cost for the same period, its cash cost and total cost per ounce sold would be \$276 and \$335, respectively. These costs were slightly higher than previous quarter results primarily due to the accrual of this net profit interest which is capped at \$1,000. As of July 31, 2008, Capital Gold had approximately \$753 accrued towards this net profits interest. Capital Gold anticipates accruing the remaining portion of the net profit interest within this calendar year.

Revenues from by-product sales (silver) are credited to Costs applicable to sales as a by-product credit. Silver sales totaled 40,461 ounces at an average price of \$17.48 amounting to approximately \$707 for the year ended July 31, 2008.

Depreciation and Amortization

Depreciation and amortization expense during the year ended July 31, 2008 and 2007 was approximately \$3,438 and \$891, respectively. The increase of approximately \$2,547 was primarily due to a full year of depreciation and amortization charges related to the El Chanate capital costs being incurred during the year ended July 31, 2008. The charges during the same period in the prior year were significantly lower as most of these assets were placed in service in April 2007. Depreciation and amortization also represents deferred financing costs resulting from the Credit Agreement Capital Gold entered into with Standard Bank. This accounted for approximately \$1,088 and \$876 of the amortization expense during the years ended July 31, 2008 and 2007, respectively.

General and Administration Expense

General and administrative expenses during the year ended July 31, 2008 were approximately \$5,586, an increase of approximately \$2,693 or 93% from the year ended July 31, 2007. The increase in general and administrative expenses resulted primarily from: 1) higher salaries and wages for officers and employees including the hiring of a controller and the awarding of cash bonuses of approximately \$1,708, 2) the granting of stock options and restricted stock to officers and employees under Capital Gold's 2006 Equity Incentive Plan amounting to approximately \$467, 3) higher investor relations fees and travel fees of approximately \$221, 4) higher accounting and consulting fees of approximately \$419 versus the same period a year earlier, primarily due to the awarding of a cash bonus to one of Capital Gold's officers as well as higher consulting fees related to compliance with internal control over financial reporting, and 5) an increase in insurance costs of approximately \$116 versus the same period a year earlier as Capital Gold was not yet in full production in the prior period. The above mentioned increases in compensation, cash bonus awards as well as the stock option and restricted stock awards were granted based upon recommendations from an independent report on executive compensation. This independent report, requested by the Compensation Committee, was obtained in order to assist Capital Gold in attracting and retaining individuals of experience and ability, to provide incentive to Capital Gold's employees and directors, to encourage employee and director proprietary interests in Capital Gold's company, and to encourage employees to remain in Capital Gold's employ.

Exploration Expense

Exploration expense during the years ended July 31, 2008 and 2007 was approximately \$938 and \$1,816, respectively, or a decrease of \$878 or 48%. The primary reason for the decrease in exploration expense was the result of higher engineering and planning costs related to the El Chanate Project being expensed in the prior period as well as the costs incurred from the 72-hole reverse circulation drilling campaign targeted to identify additional reserves at the El Chanate Project which was completed in May 2007. Exploration expense for the year ended July 31, 2008 includes: 1) costs from the completed 26-hole reverse circulation drilling program in December 2007 consisting of 4,912 meters at the El Chanate mine. The drill holes were targeted to test the outer limits of the existing ore zones, and 2) costs associated with Capital Gold's leased 12 mining concessions totaling 1,790 hectares located northwest of Saric, Sonora. Capital Gold initiated a drill program as well as geochemical work related to these claims during fiscal 2008. Also, a claim was filed for approximately 2,200 additional hectares adjacent to this property. These concessions and this claim are approximately sixty miles northeast of the El Chanate project and can be accessed by a paved road. Surface mineralization is evident throughout the property and is hosted by shear zones and veins in a granite intrusive; follow up exploration is underway.

Other Income and Expense

Capital Gold's loss on the change in fair value of derivative instruments during the year ended July 31, 2008 and 2007, was approximately \$1,356 and \$1,226, respectively, and was reflected as another expense. This was primarily due to the change in fair value of two identically structured derivative contracts with Standard Bank which correlates to fluctuations in the gold price. These contracts were not designated as hedging derivatives; and therefore, special hedge accounting does not apply.

Interest expense was approximately \$1,207 for the year ended July 31, 2008 compared to approximately \$792 for the same period a year earlier. This increase was mainly due to higher interest charges incurred during fiscal 2008 related to Capital Gold's outstanding credit facility with Standard Bank. As of July 31, 2008 and 2007, there was \$12,500 outstanding on this credit facility.

Income Tax Expense

Income tax expense was \$3,507 during the fiscal year ended July 31, 2008, compared to \$0 in 2007 with an effective tax rate of 35% and 0%, respectively. The factors that most significantly impact Capital Gold's effective tax rate are valuation allowances related to deferred tax assets offset partially by lower statutory tax rates in Mexico. Current income tax expense and deferred income tax expense amounted to \$2,111 and \$1,396 as of July 31, 2008, respectively.

Mining operations are conducted in Mexico. Mexico has tax laws, tax incentives and tax rates that are significantly different than those of the United States. On October 1, 2007, the Mexican government enacted legislation which introduced certain tax reforms as well as a new minimum flat tax system. This new flat tax system integrates with the regular income tax system and is based on cash-basis net income that includes only certain receipts and expenditures. The flat tax is set at 17.5% of cash-basis net income as determined, with transitional rates of 16.5% and 17.0% in 2008 and 2009, respectively. If the flat tax is positive, it is reduced by the regular income tax and any excess is paid as a supplement to the regular income tax. If the flat tax is negative, it may serve to reduce the regular income tax payable in that year or can be carried forward for a period of up to ten years to reduce any future flat tax. Companies are required to prepay income taxes on a monthly basis based on the greater of the flat tax or regular income tax as calculated for each monthly period. Annualized income projections indicated that Capital Gold would not be liable for any excess flat tax for calendar year 2008 and, accordingly, recorded a Mexican income tax provision as of July 31, 2008.

Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits, which, on a more likely than not basis, are not expected to be realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

During the fiscal year ended 2008, Capital Gold completed a reconciliation of its U.S. book and tax basis assets and liabilities as well as a detailed analysis of Capital Gold's income taxes payable.

Based on the uncertainty and inherent unpredictability of the factors influencing Capital Gold's effective tax rate and the sensitivity of such factors to gold and other metals prices as discussed above, the effective tax rate is expected to be volatile in future periods.

For more information concerning income taxes, please see Note 21 within the Capital Gold consolidated financial statements incorporated by reference into this joint proxy/prospectus.

Changes in Foreign Exchange Rates

During the year ended July 31, 2008 and 2007, Capital Gold recorded equity adjustments from foreign currency translations of approximately \$622 and \$205, respectively. These translation adjustments are related to changes in the rates of exchange between the Mexican Peso and the US dollar and are included as a component of other comprehensive income.

Liquidity and Capital Resources

Operating activities

Cash provided by operating activities during the year ended July 31, 2009 was approximately \$7,536, which primarily represents cash flows resulting from Capital Gold's realization of revenue from operations during the year ended July 31, 2009. The increase period-to-period was mainly due to higher net income during the year ended July 31, 2009. In addition, Capital Gold utilized cash flows from operations to pay the following one time items: 1) 10% net profits interest of \$1,000 to Royal Gold, and 2) \$1,906 to close out the remaining 58,233 ounces of gold under the original Gold Price Protection arrangements that Capital Gold entered into in March 2006 to Standard Bank. Cash used in operating activities for the same period a year ago was \$6,318, as this was Capital Gold's first year realizing revenue from operations.

Investing Activities

Cash used in investing activities during the year ended July 31, 2009, amounted to approximately \$5,174, primarily from the acquisition of an additional secondary crusher and tunnel conveyor, mobile equipment, conveyors, ADR plant equipment, and a carbon regeneration kiln. Cash used in investing activities for the same period a year ago was approximately \$5,479 which was due to costs incurred for leach pad expansion, conveyors, additional water rights, and original ADR plant equipment for the El Chanate mine.

In August 2009, Capital Gold initiated the construction of an additional leach pad area. Permitting and site clearing has been completed and the construction has commenced. Golder Engineering of Tucson, Arizona will oversee construction activities and quality control and quality assurance for the project. The construction schedule anticipates that stacking ore on the new pad will commence in January 2010 and will cost approximately \$3,300. In October 2009, Capital Gold committed to the procurement of a new tertiary crusher and screen module for the El Chanate mine. The cost for this equipment is approximately \$1,000 with one-third due upon execution of the sales order, one-third due in 30 days and one-third upon shipment. This is part of Capital Gold's ongoing production expansion plan.

Financing Activities

Cash used in financing activities during the year ended July 31, 2009 amounted to approximately \$4,175, primarily from the repayment of the Credit Facility in the amount of \$4,500. Capital Gold also received proceeds of approximately \$319 in the current period from the issuance of common stock upon the exercising of 213,932 options. Cash provided by financing activities during the year ended July 31, 2008 amounted to approximately \$7,306, primarily from the exercising of 5,748,544 warrants for gross proceeds of approximately \$7,474.

Term Loan and Revolving Credit Facility

On July 17, 2008, Capital Gold closed in escrow, pending execution of Mexican collateral documents and certain other ministerial matters, an Amended and Restated Credit Agreement (the "Credit Agreement") involving Capital Gold's wholly-owned Mexican subsidiaries MSR and Oro, as borrowers ("Borrowers"), Capital Gold, as guarantor, and Standard Bank PLC ("Standard Bank"), as the lender. The Mexican collateral documents were executed on September 18, 2008, effectively closing the loan. The Credit Agreement amends and restates the prior credit agreement between the parties dated August 15, 2006 (the "Original Agreement"). Under the Original Agreement, MSR and Oro could borrow, and did borrow, money in an aggregate principal amount of up to \$12,500 (the "Term Loan") for the purpose of constructing, developing and operating the El Chanate gold mining project in Sonora State, Mexico. Capital Gold guaranteed the repayment of the Term Loan and the performance of the obligations under the Original Agreement.

The Credit Agreement establishes a new senior secured revolving credit facility that permits Borrowers to borrow up to \$5,000 during the one year period after the closing of the Credit Agreement. The Borrowers may request a borrowing of the Revolving Commitment from time to time, provided that the Borrowers are not entitled to request a borrowing more than once in any calendar month (each borrowing a "Revolving Loan"). Repayment of the Revolving Loans will be secured and guaranteed in the same manner as the Term Loan. Term Loan principal shall be repaid quarterly commencing on September 30, 2008 and consisting of four payments in the amount of \$1,125, followed by eight payments in the amount of \$900 and two final payments in the amount of \$400. There is no prepayment fee. Principal under the Term Loan and the Revolving Loans shall bear interest at a rate per annum equal to the LIBO Rate, as defined in the Credit Agreement, for the applicable Interest Period plus the Applicable Margin. An Interest Period can be one, two, three or six months, at the option of the Borrowers. The Applicable Margin for the Term Loan and the Revolving Loans is 2.5% per annum and 2.0% per annum, respectively. The Borrowers are required to pay a commitment fee in respect of the Revolving Commitment at the rate of 1.5% per annum on the average daily unused portion of the Revolving Commitment. Pursuant to the terms of the Original Credit Agreement, Standard Bank exercised significant control over the operating accounts of MSR located in Mexico and in the United States. Standard Bank's control over the accounts has been lifted significantly under the terms of the Credit Agreement, giving the Borrowers authority to exercise primary day-to-day control over the accounts. However, the accounts remain subject to an account pledge agreement between MSR and Standard Bank.

On September 17, 2009, Capital Gold's ability to borrow under the Revolving Loan expired. Capital Gold had not drawn on this facility during the term period and determined that it was not cost beneficial to maintain the Revolving

Loan on a going forward basis.

Debt Covenants

Capital Gold's Credit Agreement with Standard Bank requires it, among other obligations, to meet certain financial covenants including, but not limited to, (i) a ratio of current assets to current liabilities at all times greater than or equal to 1.20:1.00, (ii) a quarterly minimum tangible net worth at all times of at least U.S. \$15,000,000, and (iii) a quarterly average minimum liquidity of U.S. \$500,000. In addition, the Credit Agreement restricts, among other things, Capital Gold's ability to incur additional debt, create liens on its property, dispose of any assets, merge with other companies, enter into hedge agreements, organize or invest in subsidiaries or make any investments above a certain dollar limit.

As of July 31, 2009, Capital Gold and its related entities were in compliance with all debt covenants and default provisions. For the purposes of meeting these financial covenants, the accounts of Caborca Industrial are not required to be included in the calculation of these covenants.

Environmental and Permitting Issues

Management does not expect that environmental issues will have an adverse material effect on Capital Gold's liquidity or earnings. Capital Gold complies with all laws, rules and regulations concerning mining, environmental, health, zoning and historical preservation issues, Capital Gold is not aware of any environmental concerns or current reclamation requirements at the El Chanate concessions. Capital Gold has received the required Mexican government permits for operations. Any revisions to the current mine plan may require Capital Gold to amend the permits.

Capital Gold received the annual extension to the explosive use permit from the relevant authorities. The permit is valid through December 2009.

Capital Gold includes environmental and reclamation costs on an ongoing basis, in its revenue and cost projections. No assurance can be given that environmental regulations will not be revised by the Mexican authorities in the future. As of July 31, 2009, management has estimated the reclamation costs for the El Chanate site to be approximately \$2,950. Reclamation costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and closure costs. The asset retirement obligation is based on when the spending for an existing environmental disturbance and activity to date will occur. Capital Gold reviews, on an annual basis, unless otherwise deemed necessary, the asset retirement obligation at each mine site. Capital Gold reviewed the estimated present value of the El Chanate mine reclamation and closure costs as of July 31, 2009. This resulted in an accrual for reclamation obligations as of July 31, 2009 of \$1,594 relating to mineral properties in accordance with ASC guidance for asset retirement and environmental obligations.

Capital Gold own properties in Leadville, Colorado for which it has previously recorded an impairment loss. Part of the Leadville Mining District has been declared a federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, and the Superfund Amendments and Reauthorization Act of 1986. Several mining companies and one individual were declared defendants in a possible lawsuit. Capital Gold was not named a defendant or Principal Responsible Party. Capital Gold did respond in full detail to a lengthy questionnaire prepared by the Environmental Protection Agency ("EPA") regarding Capital Gold's proposed procedures and past activities in November 1990. To Capital Gold's knowledge, the EPA has initiated no further comments or questions. The Division of Reclamation, Mining and Safety of the State of Colorado (the "Division") conducted its most recent inspection of Capital Gold's Leadville Mining properties in August 2007. The Division concluded that based upon 2007 equipment prices and labor costs, an additional \$46 was necessary to be bonded with the Division to reclaim the site to achieve the approved post-mining land use. The total amount of the bond sufficient to perform reclamation as of April 30, 2009, was approximately \$82. Capital Gold met this bonding requirement. During Capital Gold's fiscal year ended July 31, 2008, Capital Gold sold two of the Leadville Mining claims and the mill for gross proceeds of \$100. In May 2009, Capital Gold received its bond back from the Division.

Contractual Obligations

Capital Gold's contractual obligations as of July 31, 2009 are summarized as follows:

Contractual Obligations(5)	Total	Payments Due by Period			
		Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Debt (1)	\$ 8,650	\$ 3,860	\$ 4,790	\$ -	\$ -
Remediation and reclamation obligations(2)	3,741	-	-	-	3,741
Operating leases(3)	760	247	513	-	-
Derivative instruments(4)	184	154	30	-	-
	\$ 13,335	\$ 4,261	\$ 5,333	\$ -	\$ 3,741

(1) Amounts represent principal (\$8,000) and estimated interest payments (\$650) assuming no early extinguishment.

(2) Mining operations are subject to extensive environmental regulations in the jurisdictions in which they operate. Pursuant to environmental regulations, Capital Gold is required to close its operations and reclaim and remediate the lands that operations have disturbed. The estimated undiscounted cash outflows of these remediation and reclamation obligations are reflected here. For more information regarding remediation and reclamation liabilities, see Note 12 to the Consolidated Financial Statements.

(3) Amounts represent a non-cancelable operating lease for office space in New York that commenced on September 1, 2007 and terminates on August 31, 2012. In addition to base rent, the lease calls for payment of utilities and other occupancy costs. Also, includes an operating lease for office space in Caborca, Sonora, as well as leased concessions in Saric, Sonora for exploration.

(4) Amounts represent the net cash settlement of interest rate swap agreement with Standard Bank.

(5) Contractual obligations do not include the net smelter return payments as this payment is linked to the gold price and cannot be reasonably estimated given variable market conditions. As of July 31, 2009, the amount remaining in net smelter return payments due to Royal Gold was approximately \$13,936.

To date, Capital Gold has not been adversely affected by the recent volatility in the global credit and foreign exchange markets. To a minor degree Capital Gold has benefited from the devaluation of the Mexican peso compared to the U.S. dollar.

While Capital Gold believes that its available funds in conjunction with anticipated revenues from metal sales will be adequate to cover its cash requirements for the fiscal year ending July 31, 2010, if Capital Gold encounters unexpected problems it may need to raise additional capital. Capital Gold also may need to raise additional capital for significant property acquisitions and/or exploration activities. To the extent that Capital Gold needs to obtain additional capital, management may raise such funds through the sale of its securities, obtain debt financing, and/or joint venturing with one or more strategic partners. Capital Gold cannot assure that adequate additional funding, if needed, will be available or on terms acceptable to it. If Capital Gold needs additional capital and it is unable to obtain it from outside sources, it may be forced to reduce or curtail its operations or its anticipated exploration activities.

Recently Issued Accounting Pronouncements

Fair Value Accounting

In September 2006, the ASC guidance for fair value measurements and disclosure was updated to define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. Capital Gold adopted the updated guidance for assets and liabilities measured at fair value on a recurring basis on January 1, 2008.

In February 2008, the FASB staff issued an update to the guidance which delayed the effective date for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. Capital Gold adopted the updated guidance for Capital Gold's nonfinancial assets and liabilities measured at fair value on a nonrecurring basis on January 1, 2009.

In October 2008, the ASC guidance for fair value measurements was further updated and clarifies the application of ASC guidance for fair value measurements in an inactive market. The intent of this update is to provide guidance on how the fair value of a financial asset is to be determined when the market for that financial asset is inactive. The guidance states that determining fair value in an inactive market depends on the facts and circumstances, requires the use of significant judgment and, in some cases, observable inputs may require significant adjustment based on unobservable data. Regardless of the valuation technique used, an entity must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when determining fair value of an asset in an inactive market. The updated guidance was effective upon issuance. Capital Gold has incorporated the principles of this update in determining the fair value of financial assets when the market for those assets is not active.

ASC guidance for fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy in accordance with ASC guidance for fair value measurements are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth Capital Gold's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by ASC guidance for fair value measurements, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at July 31, 2009 (in thousands)			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 3,334	\$ 3,334	\$ -	\$ -
Marketable securities	35	35	-	-
	\$ 3,369	\$ 3,369	\$ -	\$ -
Liabilities:				
Interest rate swap	193	-	193	-
	\$ 193	\$ -	\$ 193	\$ -

Capital Gold's cash equivalent instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash instruments that are valued based on quoted market prices in active markets are primarily money market securities.

Capital Gold's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by Capital Gold.

Capital Gold has an interest rate swap contract to hedge a portion of the interest rate risk exposure on its outstanding loan balance. The hedged portion of Capital Gold's debt is valued using pricing models which require inputs, including risk-free interest rates and credit spreads. Because the inputs are derived from observable market data, the hedged portion of the debt is classified within Level 2 of the fair value hierarchy.

In April 2009, the ASC guidance was further updated to provide additional guidance on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying circumstances that indicate when a transaction is not orderly. In April 2009, the guidance for investments in debt and equity securities was updated to: (i) clarify the interaction of the factors that should be considered when determining whether a debt security is other than temporarily impaired, (ii) provide guidance on the amount of an other-than-temporary impairment recognized for a debt security in earnings and other comprehensive income and (iii) expand the disclosures required for other-than-temporary impairments for debt and equity securities. Also in April 2009, the guidance for financial instruments was updated to require disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. Capital Gold adopted the updated guidance for the interim period ended April 30, 2009. The adoption of this standard did not have a material impact on the financial condition or the results of Capital Gold's operations.

Fair Value Option

In March 2007, the ASC guidance for the fair value option for financial assets and liabilities was established, which permits entities to choose to measure many financial instruments and certain other items at fair value with the objective of improving financial reporting by mitigating volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of this guidance were adopted January 1, 2009. Capital Gold did not elect the Fair Value Option for any of its financial assets or liabilities, and therefore, the adoption of this guidance had no impact on Capital Gold's consolidated financial position, results of operations or cash flows.

Derivative Instruments

In March 2008, the ASC guidance for derivatives and hedging was updated for enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for, and how derivative instruments and the related hedged items affect an entity's financial position, financial performance and cash flows. Capital Gold adopted the updated guidance for the fiscal year ended July 31, 2008. The adoption had no impact on Capital Gold's consolidated financial position, results of operations or cash flows.

Accounting for the Useful Life of Intangibles

In April 2008, the ASC guidance for goodwill and other intangibles was updated to amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of this update is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset under guidance for business combinations. The updated guidance is effective for Capital Gold's fiscal year beginning August 1, 2009 and will be applied prospectively to intangible assets acquired after the effective date. Capital Gold does not expect the adoption to have an impact on Capital Gold's consolidated financial position, results of operations or cash flows.

Business Combinations

In April 2009, the ASC guidance for business combinations was updated to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. Capital Gold will apply the updated guidance to all future business combinations.

Equity Method Investment

In November 2008, the ASC guidance for equity method and joint venture investments was updated to clarify the accounting for certain transactions and impairment considerations involving equity method investments. The intent is to provide guidance on: (i) determining the initial measurement of an equity method investment, (ii) recognizing other-than-temporary impairments of an equity method investment and (iii) accounting for an equity method investee's issuance of shares. The updated guidance is effective for Capital Gold's fiscal year beginning August 1, 2009 and will be applied prospectively. Capital Gold does not expect the adoption to have an impact on Capital Gold's consolidated financial position or results of operations.

Equity-linked Financial Instruments

In June 2008, the ASC guidance for derivatives and hedging when accounting for contracts in an entity's own equity was updated to clarify the determination of whether an instrument (or embedded feature) is indexed to an entity's own stock which would qualify as a scope exception from hedge accounting. The updated guidance is effective for Capital Gold's fiscal year beginning August 1, 2009. The adoption had no impact on Capital Gold's consolidated financial position or results of operations.

Subsequent Events

In May 2009, the ASC guidance for subsequent events was updated to establish accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The update sets forth: (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions occurring after the balance sheet date in its financial statements. Capital Gold adopted the updated guidance for the fiscal year ended July 31, 2009. The adoption had no impact on Capital Gold's consolidated financial position, results of operations or cash flows.

Variable Interest Entities

In June 2009, the ASC guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a controlling financial interest in a variable interest entity ("VIE"). This analysis identifies a primary beneficiary of a VIE as the entity that has both of the following characteristics: i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance also requires ongoing reassessments of the primary beneficiary of a VIE. The updated guidance is effective for Capital Gold's fiscal year beginning August 1, 2010. Capital Gold currently accounts for Caborca Industrial ("CI") as a VIE and is evaluating the potential impact of adopting this statement on Capital Gold's consolidated financial position, results of operations and cash flows.

The Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") established the FASB Accounting Standards Codification ("ASC") as the single source of authoritative GAAP to be applied by nongovernmental entities. The ASC is a new structure which took existing accounting pronouncements and organized them by accounting topic. Relevant authoritative literature issued by the Securities and Exchange Commission ("SEC") and select SEC staff interpretations and administrative literature was also included in the ASC. All other accounting guidance not included in the ASC is non-authoritative. The ASC is effective for Capital Gold's interim quarterly period beginning August 1, 2009. The adoption of the ASC did not have an impact on Capital Gold's consolidated financial position, results of operations or cash flows.

Disclosure About Off-Balance Sheet Arrangements

Capital Gold does not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

Critical Accounting Policies

Capital Gold's financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for us include inventory, revenue recognition, property, plant and mine development, impairment of long-lived assets, accounting for equity-based compensation, environmental remediation costs and accounting for derivative and hedging activities.

Ore on Leach Pads and Inventories (“In-Process Inventory”)

Costs that are incurred in or benefit the productive process are accumulated as ore on leach pads and inventories. Ore on leach pads and inventories are carried at the lower of average cost or market. The current portion of ore on leach pads and inventories is determined based on the amounts to be processed within the next 12 months. The major classifications are as follows:

Ore on Leach Pads

The recovery of gold from ore is achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution, which dissolves the gold contained in the ore. The resulting “pregnant” solution is further processed in a processing plant that extracts gold from this solution producing gold dore. Costs are applied to ore on leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to the mining operation. Costs are removed from ore on leach pads as ounces are recovered based on the average cost per estimated recoverable ounce of gold on the leach pad.

The estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tonnes added to the leach pads), the grade of ore placed on the leach pads (based on fire assay data) and a recovery percentage (based on ore type and column testwork). It is estimated that Capital Gold’s leach pad at El Chanate will recover all ounces placed within a one year period from date of placement.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process needs to be constantly monitored and estimates need to be refined based on actual results over time. Capital Gold’s operating results may be impacted by variations between the estimated and actual recoverable quantities of gold on its leach pads.

In-process Inventory

In-process inventories represent materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific processing facility, but include leach in-circuit, flotation and column cells and carbon in-pulp inventories. In-process material are measured based on assays of the material fed into the process and the projected recoveries of the respective plants. In-process inventories are valued at the average cost of the material fed into the process attributable to the source material coming from the mines and/or leach pads plus the in-process conversion costs, including applicable depreciation relating to the process facilities incurred to that point in the process.

Precious Metals Inventory

Precious metals inventories include gold doré and/or gold bullion. Precious metals that result from Capital Gold’s mining and processing activities are valued at the average cost of the respective in-process inventories incurred prior to the refining process, plus applicable refining costs.

Materials and Supplies

Materials and supplies are valued at the lower of average cost or net realizable value. Cost includes applicable taxes and freight.

Property, Plant and Mine Development

Expenditures for new facilities or equipment and expenditures that extend the useful lives of existing facilities or equipment are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the estimated productive lives, which do not exceed the related estimated mine lives, of such facilities based on proven and probable reserves.

Mineral exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property will be capitalized as incurred and are amortized using the units-of-production ("UOP") method over the estimated life of the ore body based on estimated recoverable ounces or pounds in proven and probable reserves.

Impairment of Long-Lived Assets

Capital Gold reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets, including goodwill, if any. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, price trends and related factors), production levels and operating costs of production and capital, all based on life-of-mine plans. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization other than proven and probable reserves and other material that is not part of the measured, indicated or inferred resource base, are included when determining the fair value of mine site reporting units at acquisition and, subsequently, in determining whether the assets are impaired. The term "recoverable minerals" refers to the estimated amount of gold or other commodities that will be obtained after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such exploration stage mineral interests are risk adjusted based on management's relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. Capital Gold's estimates of future cash flows are based on numerous assumptions and it is possible that actual future cash flows will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and operating costs of production and capital are each subject to significant risks and uncertainties.

Reclamation and Remediation Costs (Asset Retirement Obligations)

Reclamation costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and closure costs. The asset retirement obligation is based on when the spending for an existing environmental disturbance and activity to date will occur. Capital Gold reviews, on an annual basis, unless otherwise deemed necessary, the asset retirement obligation at its mine site in accordance with ASC guidance for asset retirement and environmental obligations.

Deferred Financing Costs

Deferred financing costs which were included in other assets and a component of stockholders' equity relate to costs incurred in connection with bank borrowings and are amortized over the term of the related borrowings.

Intangible Assets

Purchased intangible assets consisting of rights of way, easements, net profit interests, etc. are carried at cost less accumulated amortization. Amortization is computed using the straight-line method over the economic lives of the respective assets, generally five years or using the units of production method. It is Capital Gold's policy to assess periodically the carrying amount of its purchased intangible assets to determine if there has been an impairment to their carrying value. Impairments of other intangible assets are determined in accordance with ASC guidance for accounting for the impairment of disposed of long lived assets. There was no impairment at July 31, 2009.

Fair Value of Financial Instruments

The carrying value of Capital Gold's financial instruments, including cash and cash equivalents, loans receivable and accounts payable approximated fair value because of the short maturity of these instruments.

Revenue Recognition

Revenue is recognized from the sale of gold dore when persuasive evidence of an arrangement exists, the price is determinable, the product has been shipped to the refinery, the title has been transferred to the customer and collection of the sales price is reasonably assured from the customer. Capital Gold sells its precious metal content to a financial institution. Revenues are determined by selling the precious metal content at the spot price. Sales are calculated based upon assay of the dore's precious metal content and its weight. Capital Gold sells approximately 95% of the precious metal content contained within the dore from the refinery based upon the preliminary assay of Capital Gold. The residual ounces are sold upon obtaining the final assay and settlement for the shipment. Capital Gold forwards an irrevocable transfer letter to the refinery to authorize the transfer of the precious metal content to the customer. The sale is recorded by Capital Gold upon the refinery pledging the precious metal content to the customer. Capital Gold waits until the dore precious metal content is pledged to the customer at the refinery to recognize the sale because collectability is not ensured until the dore precious metal content is pledged. The sale price is not subject to change subsequent to the initial revenue recognition date.

Revenues from by-product sales, which consists of silver, will be credited to Costs applicable to sales as a by-product credit. By-product sales amounted to \$1,076, \$707 and \$0 for the fiscal years ended July 31, 2009, 2008 and 2007, respectively.

Foreign Currency Translation

Assets and liabilities of Capital Gold's Mexican subsidiaries are translated to US dollars using the current exchange rate for assets and liabilities. Amounts on the statement of operations are translated at the average exchange rates during the year. Gains or losses resulting from foreign currency translation are included as a component of other comprehensive income (loss).

Comprehensive Income (Loss)

Comprehensive income (loss) which is reported on the accompanying consolidated statement of stockholders' equity as a component of accumulated other comprehensive income (loss) consists of accumulated foreign translation gains and losses, the fair value change in Capital Gold's interest rate swap agreement and net unrealized gains and losses on available-for-sale securities.

Income Taxes

On October 1, 2007, the Mexican government enacted legislation which introduces certain tax reforms as well as a new minimum flat tax system. This new flat tax system integrates with the regular income tax system and is based on cash-basis net income that includes only certain receipts and expenditures. The flat tax is set at 17.5% of cash-basis net income as determined, with transitional rates of 16.5% and 17.0% in 2008 and 2009, respectively. If the flat tax is positive, it is reduced by the regular income tax and any excess is paid as a supplement to the regular income tax. If the flat tax is negative, it may serve to reduce the regular income tax payable in that year or can be carried forward for a period of up to ten years to reduce any future flat tax.

Companies are required to prepay income taxes on a monthly basis based on the greater of the flat tax or regular income tax as calculated for each monthly period. This legislation remains subject to ongoing varying interpretations. There is the possibility of implementation amendments by the Mexican government and the estimated future income tax liability recorded at the balance sheet date may change.

Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. In accordance with ASC guidance for income taxes, the measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits, which are not expected to be realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

Equity Based Compensation

In connection with offers of employment to Capital Gold's executives as well as in consideration for agreements with certain consultants, Capital Gold issues options and warrants to acquire its common stock. Employee and non-employee awards are made in the discretion of the Board of Directors.

Capital Gold accounts for stock compensation under ASC guidance for compensation – stock compensation, which was adopted March 1, 2006. In accordance with this guidance, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period. Capital Gold adopted the provisions of this guidance using a modified prospective application. Under this method, compensation cost is recognized for all share-based payments granted, modified or settled after the date of adoption, as well as for any unvested awards that were granted prior to the date of adoption. Prior periods are not revised for comparative purposes. Because Capital Gold previously adopted only the pro forma disclosure provisions, it will recognize compensation cost relating to the unvested portion of awards granted prior to the date of adoption, using the same estimate of the grant-date fair value and the same attribution method used to determine the pro forma disclosures under ASC guidance for compensation – stock compensation, except that forfeitures rates will be estimated for all options, as required by the guidance.

Accounting for Derivatives and Hedging Activities

On October 11, 2006, prior to the initial draw on the Credit Facility, Capital Gold entered into interest rate swap agreements in accordance with the terms of the Credit Facility, which requires that Capital Gold hedges at least 50% of its outstanding debt under this facility. The agreements entered into cover \$9,375 or 75% of the outstanding debt. Both swaps covered this same notional amount of \$9,375, but over different time horizons. The first covered the six months that commenced on October 11, 2006 and terminated on March 31, 2007 and the second covers the period from March 30, 2007 through December 31, 2010. Capital Gold intends to use discretion in managing this risk as market conditions vary over time, allowing for the possibility of adjusting the degree of hedge coverage as it deems appropriate. However, any use of interest rate derivatives will be restricted to use for risk management purposes.

Capital Gold used variable-rate debt to finance a portion of the El Chanate Project. Variable-rate debt obligations expose Capital Gold to variability in interest payments due to changes in interest rates. As a result of these arrangements, Capital Gold will continuously monitor changes in interest rate exposures and evaluate hedging opportunities. Capital Gold's risk management policy permits it to use any combination of interest rate swaps, futures, options, caps and similar instruments, for the purpose of fixing interest rates on all or a portion of variable rate debt, establishing caps or maximum effective interest rates, or otherwise constraining interest expenses to minimize the variability of these effects.

The interest rate swap agreements will be accounted for as cash flow hedges, whereby "effective" hedge gains or losses are initially recorded in other comprehensive income and later reclassified to the interest expense component of earnings coincidently with the earnings impact of the interest expenses being hedged. "Ineffective" hedge results are immediately recorded in earnings also under interest expense. No component of hedge results will be excluded from the assessment of hedge effectiveness.

Capital Gold is exposed to credit losses in the event of non-performance by counterparties to these interest rate swap agreements, but it does not expect any of the counterparties to fail to meet their obligations. To manage credit risks, Capital Gold selects counterparties based on credit ratings, limit its exposure to a single counterparty under defined guidelines, and monitor the market position with each counterparty in accordance with ASC guidance for derivatives and hedging.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Management's Discussion and Analysis of Financial Condition and Results of Operation
for the Six Months Ended January 31, 2010

Receipt of Technical Report for Updated Reserves at El Chanate

As previously announced, during 2009 and subsequent to the fiscal year ended July 31, 2009, Capital Gold conducted exploration activities in the El Chanate pit area including, core drilling at depth to determine the potential of increasing its reserves further. The data obtained from geological mapping of the deposit's mine pit areas, combined with assays from samples of the exploration drilling therein, were used to expand information in our mine database. SRK Consulting (U.S.), Inc. ("SRK") of Lakewood, Colorado, an independent consulting firm, used this data to re-estimate El Chanate's Mineral Reserves. These efforts resulted in a significant expansion of our reserve estimates, which Capital Gold reported in its Form 10-K for the year ended July 31, 2009. With the receipt of SRK's technical report titled NI 43-101 Technical Report, Capital Gold Corporation, El Chanate Gold Mine, Sonora, Mexico and dated November 27, 2009 (the "SRK Report"), with respect to the updated reserve estimation and the updated mine plan and mine production schedule, current as of October 1, 2009, Capital Gold is re-publishing its previously announced reserve estimates along with additional information. The SRK Report complies with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Both Bart A. Stryhas PhD., Principal Resource Geologist, and Bret C. Swanson, BE(Mining), MAusIMM, are "Qualified Persons" as defined by NI 43-101.

Capital Gold's proven and probable reserve tonnage has increased to 70.6 million metric tonnes with an average gold grade of 0.66 grams per tonne (77.8 million US short tons at 0.0193 ounces per ton). The proven and probable reserve has 1,504,000 contained ounces of gold. The open pit strip ratio for the life of mine is 2.88:1 (2.88 tonnes of waste to one tonne of ore). For the next three years, Capital Gold anticipates the open pit strip ratio will be consistent with our strip ratio experienced for the fiscal year ended July 31, 2009 (1.12:1). Determination of operational pre-stripping (increase in strip ratio) will be made after further geological drilling and determination of corporate strategy within the three year window of opportunity. There is also the potential to improve the life of mine strip ratio as the report identifies material within the pit design classified as waste that with additional drilling could be reclassified as ore. The updated pit design for the revised mine plan is based on a plant recovery of gold that varies by rock types, but is expected to average 58.25%. A gold price of US\$800 (SEC three year average as of October 1, 2009) per ounce was used to re-estimate the reserves compared with a gold price of \$750 per ounce used in the previous reserve estimate. The stated proven and probable mineral reserves have been prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM). CIM definitions for proven and probable reserves convert directly from measured and indicated mineral resources with the application of appropriate economic parameters. These reserves are equivalent to proven and probable reserves as defined by the United States Securities and Exchange Commission (SEC) Industry Guide 7.

The following summary is extracted from the SRK Report. Please note that the reserves as stated are an estimate of what can be economically and legally recovered from the mine and, as such, incorporate losses for dilution and mining recovery. The 1,504,000 ounces of contained gold represents ounces of gold contained in ore in the ground, and therefore does not reflect losses in the recovery process. Total gold produced is estimated to be 876,000 ounces, or approximately 58.25% of the contained gold. The gold recovery rate is expected to average approximately 58.25% for the entire ore body. Individual portions of the ore body may experience varying recovery rates ranging from about 48% to 65%. Oxidized and sandstone ore types may have recoveries of about 65%; siltstone ore types recoveries may be about 48% and latite intrusive ore type recoveries may be about 50%.

Material Reserves and Production Summary

	Metric	U.S.
Materials		
Reserves		
Proven	22.4 Million Tonnes @ 0.70 g/t(1)	24.7 Million Tons @ 0.0204 opt(1)
Probable	48.2 Million Tonnes @ 0.65 g/t(1)	53.0 Million Tons @ 0.0189 opt(1)
Total Reserves(2)	70.6 Million Tonnes @ 0.66 g/t(1)	77.7 Million Tons @ 0.0193 opt(1)
Waste	203.5 Million Tonnes	224.3 Million Tons
Total Ore/Waste	274.1 Million Tonnes	302.0 Million tons
Contained Gold	46.78 Million grams	1,504,000 Oz
Production		
Ore Crushed	5.4 Million Tonnes /Year 14,868 Mt/d(1)	6.0 Million Tons/Year 16,390 t/d(1)
Operating Days/Year	365 Days per year	365 Days per year
Gold Plant Average Recovery	58.25 %	58.25%
Average Annual Production	2.1 Million grams	67,391 Oz
Total Gold Produced	27.25 Million grams	876,080 Oz

(1) “g/t” means grams per metric tonne, “opt” means ounces per ton, “Mt/d” means metric tonnes per day and “t/d” means tons per day.

(2) The reserve estimates are mainly based on a gold cutoff grade of 0.15 g/t for sandstone and 0.19 grams for siltstone and latite within the pit design.

The SRK resource estimation is based on information from 371 holes for a total of 55,294 meters of drilling. There are 333 reverse circulation holes and 38 core holes. The drill holes were carefully logged, sampled and tested with gold fire assay (industry standard). A geological model was constructed based on four general rock groups which are cut by thrust faults and normal faults. The mineral resource model blocks are 6m (meters) x 6m x 6m. All block grade estimates were made using 6m bench composites. An ordinary Kriging algorithm was employed to generate a categorical indicator grade shell based on a 0.1ppm gold threshold. An inverse distance cubed algorithm was used for the gold grade estimation within the grade shells.

The life of mine plan used as the basis for the reserve is based on operating gold cutoff grades of 0.15 to 0.19 g/t, depending on the ore type to be processed. The internal (in-pit) and break even cutoff grade calculations are as follows:

Cutoff Grade Calculation	Internal Cutoff Grade	Break Even Cutoff Grade
Basic Parameters		
Gold Price	US\$800/oz	US\$800/oz
Gold Selling Cost (4% Royalty, Refining, Transport, Silver Credit, etc)	\$ 25.258/oz	\$ 25.258/oz
Gold Recovery*	58.25%	58.25%

Operating Costs per Tonne of Ore

Mining	\$ 1.08/tonne
--------	---------------

Edgar Filing: CAPITAL GOLD CORP - Form POS AM

Processing – Heap leach	\$ 2.357/tonne	\$ 2.357/tonne
Total	\$ 2.357/tonne	\$ 3.44/tonne
Cutoff Grade	Grams per Tonne	Grams per Tonne
Head Grade Cutoff (58.25% average recovery)	0.15 g/t gold	0.24 g/t gold
Recovered Gold Grade Cutoff	0.09 g/t gold	0.14 g/t gold

* Plant recovery of gold varies by rock type but weighted average gold recovery is expected to average 58.25% based on work done to date.

In August 2009, Capital Gold initiated the construction of an additional leach pad area with capacity for eight million tonnes of ore, at a cost of approximately \$3,300. Permitting and site clearing has been completed, the construction contractor has completed the earthworks and the geomembrane liners have been applied to nearly all of the new leach pad area. Capital Gold initiated leaching of ore on the new leach pad as of December 31, 2009. Golder Engineering of Tucson, Arizona is overseeing construction activities and quality control and assurance for the project. The construction schedule anticipates that construction will be complete in March 2010. As of January 31, 2010, approximately half of these construction costs have been incurred.

In December 2009, Capital Gold completed the procurement and commissioning of a new tertiary crusher for the El Chanate mine. The cost for this equipment was approximately \$1,075.

The following table represents a summary of our proven and probable mineral reserves.

Proven and probable mineral reserve (Ktonnes of ore)	January 31, 2010	July 31, 2009
Ore	-	-
Beginning balance (Ktonnes)	40,911	35,417
Additions	30,388	9,342
Reductions	(2,234)	(3,848)
Ending Balance	69,065	40,911
Contained gold		
Beginning balance (thousand of ounces)	859	719
Additions	662	239
Reductions	(54)	(99)
Ending Balance	1,467	859

El Oso Project - Saric Properties – Sonora, Mexico

In April 2008, Capital Gold leased 12 mining concessions totaling 1,789 hectares located northwest of Saric, Sonora. In addition, Capital Gold owns a claim for approximately 2,233 additional hectares adjacent to this property. The approximate 4,022 hectare area is accessible by paved roads and has cellular phone service from hilltops. These concessions and this claim are about 60 miles northeast of the El Chanate project. Mineralization is evident throughout the concession group and is hosted by shear zones and stockwork quartz veins in volcanic and intrusive rocks. Capital Gold has completed exploration work consisting of geological mapping, systematic geochemical sampling of rock and soils, geophysical surveys, trenching and 73 reverse circulation drill holes totaling 6,121 meters and more recently a one meter interval topographic survey over the concession area. SRK of Lakewood, Colorado has visited the site and has monitored the quality assurance and quality control during these drill campaigns. SRK will also assist on the next phase of the exploration program. All of the drill hole samples have been assayed by ALS Chemex. The ALS Chemex facility in Hermosillo does the sample preparation, and the assays are performed at the ALS Chemex's Vancouver laboratory.

In January 2010, Capital Gold initiated an additional drill campaign at Saric that consisted of 13 core holes totaling approximately 1,100 meters. The drilling was completed on February 23, 2010 and targeted the existing mineralized structure to confirm the geologic interpretation and confirm the accuracy of previous reverse circulation drilling. The drill hole samples are being assayed by ALS Chemex.

The lease agreement required an initial payment of \$45 upon execution of the lease. Capital Gold is required to pay an additional \$250, consisting of ten payments of \$25 every four months beginning six months after execution of the lease agreement. The agreement also contains an option to acquire the mining concessions for a cash payment of \$1,500 at the end of the term (December 2010). If Capital Gold elects not to exercise this option, it would have the ability to mine the concessions by paying a 1% net smelter return to the owners of the leased concessions, capped at \$3,000. Prior payments made under this lease agreement would be deductible from the \$3,000 cap.

Capital Gold continues to investigate other exploration projects in northern Mexico and other locations.

Result of Operations

As discussed more fully in Note 1 to the financial statements, the financial information as of the fiscal year ended July 31, 2009 and for the three and six months ended January 31, 2009 has been recast so that the basis of presentation is consistent with that of the financial information as of January 31, 2010 and for the three and six months ended January 31, 2010. This recast reflects a 1-for-4 reverse stock split of Capital Gold's common stock that became effective on January 25, 2010.

Three months ended January 31, 2010 compared to three months ended January 31, 2009

Net income for the three months ended January 31, 2010 and 2009 was approximately \$2,944 and \$3,196, respectively, representing a decrease of approximately \$252 or 8% over the prior period. Income before taxes was \$5,222 and \$4,978 for the three months ended January 31, 2010 and 2009, respectively, which represented an increase of 5%. Income before taxes increased primarily as a result of higher revenues from a higher gold price being realized from ounces sold during the three months ended January 31, 2010, as compared to the same period a year ago.

Revenues & Costs Applicable to Sales

Gold sales for the three months ended January 31, 2010 totaled approximately \$13,228 as compared to \$11,369 in the prior period representing an increase of approximately \$1,859 or 16%. Capital Gold sold 11,816 ounces at an average realizable price per ounce of approximately \$1,119 in the current period. Capital Gold sold 13,277 ounces at an average realizable price per ounce of \$856 during the same period last year.

Costs applicable to sales were approximately \$4,625 and \$3,655, respectively, for the three months ended January 31, 2010 and 2009, an increase of approximately \$970 or 27%. Cash costs were \$372 per ounce of gold sold for the three months ended January 31, 2010 as compared to \$251 for the three months ended January 31, 2009. The primary reasons for this increase in cash cost per ounce sold in the current period is attributable to: 1) higher mining costs primarily due to an increase in tonnage mined, higher diesel fuel consumption and explosive costs as well as the impact of a price escalation within our mining contract with Sinergia, 2) higher leaching and ADR plant costs mainly due to an increase in consumption of certain chemicals, water and electricity as well as a price increase in cost of lime. This increased consumption was mainly the result of increasing the solution flow through to the leach pad as Capital Gold increased the level of lifts or height of the leach pad, 3) higher crushing costs due to an increased consumption of crushing supplies and parts. This resulted from the addition of the new crushers as well as the increased tonnage put through the circuit, and 4) higher heavy equipment maintenance due to an increase in wear parts and tires for our equipment during the current quarter. Total costs were \$425 per ounce of gold sold for the three months ended January 31, 2010 as compared to \$290 total cost in the prior period. The primary reason for this increase in total costs was attributed to the same reason as detailed above for the increase in cash costs per ounce sold.

Revenues from by-product sales, which consist of silver, are credited to Costs applicable to sales as a by-product credit. By-product sales amounted to \$290 and \$225 for the three months ended January 31, 2010 and 2009, on silver ounces sold of 16,400 and 20,000, respectively.

Depreciation and Amortization

Depreciation and amortization expense during the three months ended January 31, 2010 and 2009 was approximately \$866 and \$755, respectively. The primary reason for the increase of approximately \$111, or 15%, in the current period was due to an increase in depreciation and amortization charges related to property, plant and equipment

additions. Depreciation and amortization also includes amortization of deferred financing costs resulting from the credit arrangements entered into with Standard Bank. This accounted for approximately \$233 and \$247 of depreciation and amortization expense during the three months ended January 31, 2010 and 2009, respectively.

General and Administration Expense

General and administrative expenses during the three months ended January 31, 2010 were approximately \$2,031, an increase of approximately \$970, or 91%, from the three months ended January 31, 2009. This increase resulted primarily from: 1) higher salaries and wages mainly due to a bonus payment during the current quarter to a Company executive, 2) higher legal fees in conjunction with the Nayarit transaction, and 3) higher equity compensation expense in the current period in conjunction with the issuance of stock options.

On January 19, 2010, at the recommendation of the Compensation Committee of the Board of Directors, Capital Gold's Board of Directors approved the issuance of 500,000, 50,000, 50,000, 50,000 and 37,500 options to John Brownlie, Leonard J. Sojka, John Cutler Steven Cooper and Trey Wasser, respectively, aggregating 687,500 stock options under our 2006 Equity Incentive Plan. The stock options for John Brownlie and Trey Wasser have a term of five years and vest as follows: one-third vested upon issuance and the balance vests on a one-third basis annually thereafter. The stock options for Leonard J. Sojka, John Cutler, and Steven Cooper have a term of five years and vest 25,000 on January 19, 2010, 12,500 on January 19, 2011 and 12,500 on January 19, 2012. The exercise price of the stock options is \$3.60 per share (per the Plan, the closing price on the Toronto Stock Exchange on the trading day immediately prior to the day of determination converted to U.S. Dollars). In the event of a termination of continuous service (other than as a result of a change of control, as defined in the Plan), unvested stock options shall terminate and, with regard to vested stock options, the exercise period shall be the lesser of the original expiration date or one year from the date continuous service terminates. Upon a change of control, all unvested stock options and unvested restricted stock grants immediately vest. Capital Gold utilized the Black-Scholes method to fair value the 687,500 options received by these individuals totaling \$1,486. For the three months ended January 31, 2010, Capital Gold recorded approximately \$566 in equity compensation expense on the vested portion of these stock options. The grant date fair value of each stock option was \$2.16.

Exploration Expense

Exploration expense during the three months ended January 31, 2010 and 2009 was approximately \$349 and \$406, respectively, or a decrease of \$57, or 14%. The primary reason for the decrease can be attributed to the prior year containing exploration expense associated with a 10 hole, deep core drilling campaign at our El Chanate mine totaling 2,500 meters. Both periods presented include activity associated with on-going exploration, drilling and geochemical work being conducted on our leased and owned concessions located northwest of Saric, Sonora.

Other Income and Expense

Capital Gold's loss on the change in fair value of derivative instruments during the three months ended January 31, 2010 and 2009, was approximately \$0 and \$274, respectively, and was reflected as Other Expense. The primary reason for the decrease can be attributed to the close out, on February 24, 2009, with Standard Bank, Plc., of the remaining 58,233 ounces of gold hedged under the original Gold Price Protection arrangements originally entered into in March 2006.

Interest expense was approximately \$102 for the three months ended January 31, 2010 compared to approximately \$227 for the same period a year earlier. This decrease was due to lower interest charges incurred during the current period, based on a lower average debt balance compared to the prior period. As of January 31, 2010 and 2009, there was \$6,200 and \$10,250, respectively, outstanding on our term note with Standard Bank.

Six months ended January 31, 2010 compared to six months ended January 31, 2009

Net income for the six months ended January 31, 2010 and 2009 was approximately \$5,884 and \$5,133, respectively, representing an increase of approximately 15% over the prior period. Income before taxes was \$9,881 and \$7,842 for the six months ended January 31, 2010 and 2009, respectively, which represented an increase of 26%. Income before taxes increased primarily as a result of higher revenues from a higher gold price being realized from ounces sold during the six months ended January 31, 2010, as compared to the same period a year ago. Income tax expense increased in conjunction with the increase in net income before tax, which was anticipated.

Revenues & Costs Applicable to Sales

Gold sales for the six months ended January 31, 2010 totaled approximately \$24,955 as compared to \$20,544 in the prior period representing an increase of approximately \$4,411 or 21%. Capital Gold sold 23,549 ounces at an average realizable price per ounce of approximately \$1,060 in the current period. Capital Gold sold 24,690 ounces at an average realizable price per ounce of \$832 during the same period last year.

Costs applicable to sales were approximately \$8,735 and \$6,697, respectively, for the six months ended January 31, 2010 and 2009, an increase of approximately \$2,038 or 30%. Cash costs were \$355 per ounce of gold sold for the six months ended January 31, 2010 as compared to \$260 for the six months ended January 31, 2009. The primary reasons for this increase in cash cost per ounce sold in the current period is attributable to: 1) higher leaching and ADR plant costs mainly due to an increase in consumption of certain chemicals, water and electricity as well as an increase in the price of lime. This increased consumption was mainly the result of increasing the solution flow through to the leach pad as Capital Gold increased the level of lifts or height of the leach pad, 2) higher mining costs primarily due to an increase in tonnage mined, higher diesel fuel consumption and explosive costs as well as the impact of a price escalation within our mining contract with Sinergia, and 3) higher crushing costs due to an increased consumption of crushing supplies and parts. This resulted from the addition of the new crushers as well as the increased tonnage put through the circuit. Total costs were \$407 per ounce of gold sold for the six months ended January 31, 2010 as compared to \$299 total cost in the prior period. The primary reason for this increase in total costs was attributed to the same reason as detailed above for the increase in cash costs per ounce sold.

Revenues from by-product sales, which consist of silver, are credited to Costs applicable to sales as a by-product credit. By-product sales amounted to \$544 and \$524 for the six months ended January 31, 2010 and 2009, on silver ounces sold of 32,160 and 45,334, respectively.

Depreciation and Amortization

Depreciation and amortization expense during the six months ended January 31, 2010 and 2009 was approximately \$1,709 and \$1,458, respectively. The primary reason for the increase of approximately \$251, or 17%, in the current period was due to an increase in depreciation and amortization charges related to property, plant and equipment additions. Depreciation and amortization also includes amortization of deferred financing costs resulting from the credit arrangements entered into with Standard Bank. This accounted for approximately \$467 and \$484 of depreciation and amortization expense during the six months ended January 31, 2010 and 2009, respectively.

General and Administration Expense

General and administrative expenses during the six months ended January 31, 2010 were approximately \$3,660, an increase of approximately \$1,222, or 50%, from the six months ended January 31, 2009. This increase resulted primarily from: 1) a one-time charge of \$426 related to the termination of an employment agreement of an executive officer without cause pursuant to a restructuring of our corporate investor relations function, 2) higher salaries and wages mainly due to a bonus payment during the current quarter to a Company executive of \$375, and 3) higher equity compensation expense of \$260 as compared to prior period due primarily from the issuance of stock options to officers and directors.

On January 19, 2010, at the recommendation of the Compensation Committee of the Board of Directors, Capital Gold's Board of Directors approved the issuance of 500,000, 50,000, 50,000, 50,000 and 37,500 options to John Brownlie, Leonard J. Sojka, John Cutler Steven Cooper and Trey Wasser, respectively, aggregating 687,500 stock options under our 2006 Equity Incentive Plan. The stock options for John Brownlie and Trey Wasser have a term of five years and vest as follows: one-third vested upon issuance and the balance vests on a one-third basis annually

thereafter. The stock options for Leonard J. Sojka, John Cutler, and Steven Cooper have a term of five years and vest 25,000 on January 19, 2010, 12,500 on January 19, 2011 and 12,500 on January 19, 2012. The exercise price of the stock options is \$3.60 per share (per the Plan, the closing price on the Toronto Stock Exchange on the trading day immediately prior to the day of determination converted to U.S. Dollars). In the event of a termination of continuous service (other than as a result of a change of control, as defined in the Plan), unvested stock options shall terminate and, with regard to vested stock options, the exercise period shall be the lesser of the original expiration date or one year from the date continuous service terminates. Upon a change of control, all unvested stock options and unvested restricted stock grants immediately vest. Capital Gold utilized the Black-Scholes method to fair value the 687,500 options received by these individuals totaling \$1,486. For the six months ended January 31, 2010, Capital Gold recorded approximately \$566 in equity compensation expense on the vested portion of these stock options. The grant date fair value of each stock option was \$2.16.

Exploration Expense

Exploration expense during the six months ended January 31, 2010 and 2009 was approximately \$681 and \$896, respectively, or a decrease of \$215, or 24%. The primary reason for the decrease can be attributed to the prior year containing exploration expense associated with a 10 hole, deep core drilling campaign at our El Chanate mine totaling 2,500 meters. Both periods presented include activity associated with on-going exploration, drilling and geochemical work being conducted on our leased and owned concessions located northwest of Saric, Sonora.

Other Income and Expense

Our loss on the change in fair value of derivative instruments during the six months ended January 31, 2010 and 2009, was approximately \$0 and \$578, respectively, and was reflected as Other Expense. The primary reason for the decrease can be attributed to the close out, on February 24, 2009, with Standard Bank, Plc., of the remaining 58,233 ounces of gold hedged under the original Gold Price Protection arrangements originally entered into in March 2006.

Interest expense was approximately \$235 for the six months ended January 31, 2010 compared to approximately \$427 for the same period a year earlier. This decrease was due to lower interest charges incurred during the current period, based on a lower average debt balance compared to the prior period. As of January 31, 2010 and 2009, there was \$6,200 and \$10,250, respectively, outstanding on our term note with Standard Bank.

Changes in Foreign Exchange Rates

During the six months ended January 31, 2010 and 2009, Capital Gold recorded equity adjustments from foreign currency translations of approximately \$100 and \$3,530, respectively. These translation adjustments are related to changes in the rates of exchange between the Mexican Peso and the U.S. dollar and are included as a component of other comprehensive income. The Mexican Peso and the U.S. dollar exchange rate as of January 31, 2010 was 13.1154. As of July 31, 2009, such exchange rate was 12.9933.

Summary of Quarterly Results

(000's except per share data)

	For the three months ended January 31, 2010	For the three months ended January 31, 2009	For the six months ended January 31, 2010	For the six months ended January 31, 2009
Revenues	13,228	11,369	24,955	20,544
Net Income	2,944	3,196	5,884	5,133
Basic net income per share	0.06	0.07	0.12	0.11
Diluted net income per share	0.06	0.06	0.12	0.10
Gold ounces sold	11,816			