

FORM 52-109FV1

CERTIFICATION OF ANNUAL FILINGS - VENTURE ISSUER BASIC CERTIFICATE

I, **Robert A. Archer, President and Chief Executive Officer of Cangold Limited**, certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of **Cangold Limited** (the "issuer") for the financial year ended **June 30, 2010**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: October 22, 2010

"Robert A. Archer"

Robert A. Archer
President and Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that the inherent limitations on the ability of the certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FORM 52-109FV1

CERTIFICATION OF ANNUAL FILINGS - VENTURE ISSUER BASIC CERTIFICATE

I, **Raakel S. Iskanius, Chief Financial Officer of Cangold Limited**, certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of **Cangold Limited** (the "issuer") for the financial year ended **June 30, 2010**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: October 22, 2010

"Raakel S. Iskanius"

Raakel S. Iskanius
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that the inherent limitations on the ability of the certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Consolidated Financial Statements
(Expressed in Canadian dollars)

CANGOLD LIMITED

Years ended June 30, 2010 and 2009



KPMG LLP
Chartered Accountants
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Vancouver BC V7Y 1K3
Canada

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Cangold Limited as at June 30, 2010 and 2009 and the consolidated statements of operations and deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature.

Chartered Accountants

Vancouver, Canada
September 24, 2010

CANGOLD LIMITED

Consolidated Balance Sheets
(Expressed in Canadian dollars)

June 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 103,163	\$ 35,089
Marketable securities	82,190	53,250
Amounts receivable (note 5)	126,569	143,631
Prepaid expenses and advances	19,858	7,820
	<u>331,780</u>	<u>239,790</u>
Mineral properties and equipment (note 7)	90,000	108,162
	<u>\$ 421,780</u>	<u>\$ 347,952</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 79,668	\$ 147,915
Due to related parties (note 9)	174,247	36,027
	<u>253,915</u>	<u>183,942</u>
Shareholders' equity:		
Capital stock (note 8)	10,563,423	10,036,563
Contributed surplus (note 8(c))	1,182,264	1,180,296
Accumulated other comprehensive income (loss) (note 11)	22,451	(24,750)
Deficit	<u>(11,600,273)</u>	<u>(11,028,099)</u>
	167,865	164,010
Continuing operations (note 1)		
Subsequent event (note 15)		
	<u>\$ 421,780</u>	<u>\$ 347,952</u>

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Kaare G. Foy" Director

"Martin B. Carsky" Director

CANGOLD LIMITED

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

	2010	2009
Expenses:		
Amortization	\$ 2,764	\$ 5,509
Consulting	42,794	84,251
Director fees	75,000	75,000
Filing fees	9,852	12,318
Foreign exchange loss	13,553	27,980
Investor relations	53,419	62,788
Mineral property exploration expenditures (note 6)	73,894	163,084
General exploration expenses	161,292	5,841
Office and miscellaneous	28,100	24,661
Professional fees	66,117	85,963
Stock-based compensation (note 8)	-	7,975
Rent	26,451	21,440
Transfer agent fees	5,825	4,810
Loss before undernoted	(559,061)	(581,620)
Interest income	1,165	1,971
Interest expense	(3,664)	-
Loss on disposal of fixed assets	(4,408)	-
Gain on sale of marketable securities	5,044	-
Unrealized loss on marketable securities	(11,250)	(68,000)
	(13,113)	(66,029)
Loss for the year	(572,174)	(647,649)
Deficit, beginning of year	(11,028,099)	(10,380,450)
Deficit, end of the year	\$(11,600,273)	\$(11,028,099)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of outstanding common shares	82,643,827	71,536,146

See accompanying notes to consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

	2010	2009
Loss for the year	\$ (572,174)	\$ (647,649)
Unrealized gain (loss) on marketable securities	35,951	(48,250)
Other than temporary impairment loss on marketable securities	11,250	68,000
Comprehensive loss for the year	\$ (524,973)	\$ (627,899)

See accompanying notes to consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

	2010	2009
Cash flows used in operating activities:		
Loss for the year	\$ (572,174)	\$ (647,649)
Items not involving cash:		
Amortization	2,764	5,509
Unrealized loss on marketable securities	11,250	68,000
Stock-based compensation	-	7,975
Shares issued for mineral exploration expenditures	6,750	10,500
Loss on disposal of fixed assets	4,408	-
Gain on sale of marketable securities	(5,044)	-
Changes in non-cash operating working capital:		
Amounts receivable	17,062	(5,667)
Prepaid expenses and advances	(12,038)	21,569
Accounts payable and accrued liabilities	(68,247)	(43,143)
Net cash used in operating activities	(615,269)	(582,906)
Cash flows provided by investing activities:		
Purchase of mineral property interest	-	(10,000)
Proceeds from sale of fixed assets	11,045	-
Proceeds from sale of marketable securities	12,000	-
Reclamation deposit	-	25,800
Net cash provided by investing activities	23,045	15,800
Cash flows provided by financing activities:		
Issuance of shares for cash, net of issue costs	522,078	220,385
Due to related parties	138,220	14,361
Net cash provided by financing activities	660,298	234,746
Increase (decrease) in cash and cash equivalents	68,074	(332,360)
Cash and cash equivalents, beginning of year	35,089	367,449
Cash and cash equivalents, end of year	\$ 103,163	\$ 35,089
Supplementary cash flow information:		
Interest income received	\$ 1,165	\$ 3,129
Interest expense paid	1,883	-
Non-cash financing and investing transactions:		
Warrants and options issued for financing fee	1,968	2,314
Common share consideration on purchase of mineral property interest (note 6(a))	-	80,000

See accompanying notes to the consolidated financial statements.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

1. Nature and continuance of operations:

Cangold Limited (the Company) was continued under the Business Corporation Act (Yukon) on March 17, 1997 and continued under the Business Corporations Act (British Columbia) on December 22, 2004.

The Company is in the business of acquiring, exploring and developing mineral resource properties and is directing substantially all of its efforts towards the exploration and related development of the properties. None of the properties in which the Company has an interest were in production at the balance sheet date and therefore the Company has not generated revenue from these principal business activities.

During the years ended June 30, 2010 and 2009, the Company recorded losses of approximately \$572,000 and \$648,000, respectively, and used cash for operations of approximately \$615,000 and \$583,000, respectively. As at June 30, 2010, the Company had an accumulated deficit of approximately \$11,600,000 compared with \$11,028,000 at June 30, 2009. As at June 30, 2010, the Company had a working capital balance of \$77,865 compared with \$55,848 as of June 30, 2009. Furthermore, the Company has insufficient cash on hand to sustain operations for the year ending June 30, 2011. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Notwithstanding continued losses and operating cash flow deficiencies, these financial statements have been prepared by management on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities and commitments in the normal course of business.

The ability of the Company to continue as a going concern and to realize its assets and discharge its liabilities is dependent upon the existence of economically recoverable mineral reserves and the ability to raise adequate financing from lenders, shareholders and other investors to support such business activities. It is anticipated that the Company will rely on the equity markets in the upcoming fiscal year to meet its financing needs, including funding future exploration activity. The Company will need to raise approximately \$500,000 within the next 12 months to sustain the current level of activity. The Company is actively looking for a significant acquisition which it will fund with a concurrent financing.

Given the current economic environment, there can be no assurance that such financing will be available to the Company on acceptable terms, or at all. Failure to continue as a going concern would require the Company's assets and liabilities to be presented on a liquidation basis, which would differ materially from the going concern basis.

2. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Coboro Minerales de Mexico, S.A. de C.V. Significant inter-company balances and transactions are eliminated on consolidation.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

2. Significant accounting policies (continued):

(b) Use of estimates:

The preparation of these financial statements requires management to make certain estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the assumptions used in determining the fair value of non-cash stock-based compensation and assessing mineral properties for impairment. Due to the inherent uncertainty involved with making such estimates, actual results could differ from these estimates.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have maturity dates of three months or less from the date of purchase.

(d) Marketable securities:

Marketable securities are carried at market value based upon quoted market prices.

(e) Reclamation deposits:

Reclamation deposits are recorded at cost.

(f) Mineral properties:

The Company expenses, as incurred, periodic option payments related to mineral properties, exploration expenditures and administrative and land use costs incurred prior to commercial feasibility of mining operations being established. Mineral property acquisition costs including the cash consideration paid and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement, are capitalized. If the Company owns an interest in a mineral property, exploration expenditures are recognized for only the Company's proportionate interest in the property.

Mineral property exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations are capitalized until the property to which they relate is placed into production, sold, abandoned or the exploration rights are allowed to lapse. Once commercial production has commenced, these accumulated costs will be amortized to operations by unit-of-production depletion based on proven and probable reserves. If a mineral property is abandoned or the mineral deposit proves to be uneconomical or it is determined otherwise that its carrying value cannot be supported by future production or sale, then previously capitalized costs are written down and charged against operations in the year of abandonment or in the year such determination of impairment is made.

Mineral property sales proceeds or option payments received for exploration rights are treated as cost recoveries.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

2. Significant accounting policies (continued):

(g) Equipment:

Equipment is recorded at cost. Amortization of computer equipment and drilling equipment is provided at 30% per annum on a declining balance basis.

Equipment is assessed for future recoverability when events or conditions indicate that the carrying value of the asset may be impaired by estimating future undiscounted cash flows. When the net carrying amount of equipment exceeds its estimated net recoverable amount, the asset is written down to its fair value with a charge to operations.

(h) Stock-based compensation:

The Company grants stock options in accordance with the TSX Venture Exchange (TSX-V) policies (note 8(e)).

The Company accounts for stock-based payments granted to non-employees after July 1, 2002 and employees after July 1, 2005 using the fair value based method. Under the fair value based method, compensation cost is measured at fair value and charged to operations over the service period which normally is the period during which the options vest.

(i) Foreign currency translation:

The reporting and functional currency of the Company is the Canadian dollar. The functional currency of its Mexican subsidiary is also the Canadian dollar.

As the Company's Mexican subsidiary is dependent on funding from its parent, the temporal method of translating the foreign subsidiary accounts has been adopted. Under this method, monetary items denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in operations.

(j) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and tax loss carry forwards. Future income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to be recovered or settled.

The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is, in management's estimation, more likely than not to be realized.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

2. Significant accounting policies (continued):

(k) Asset retirement obligations:

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. The Company has no material asset retirement obligations as at June 30, 2010 and 2009.

(l) Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable, accounts payable and accrued liabilities and amounts due to related parties.

Transaction costs are expensed as incurred for financial instruments designated as held-for-trading. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost, which includes loans and receivables and other financial liabilities.

Held-for-trading financial instruments include cash and cash equivalents which are recorded at fair value. Unrealized gains and losses related to revaluations are recorded in net income for the period.

Available-for-sale financial assets include marketable securities which are recorded at fair value. Unrealized gains and losses resulting from revaluation are included in other comprehensive income. When the assets are sold or an impairment write-down is required, the accumulated fair value adjustments recognized in other comprehensive income are included in the statement of operations.

Loans and receivables include amounts receivable, and are initially measured at fair value and subsequently measured at amortized cost. Gains and losses resulting from revaluations, impairment write-downs and foreign exchange translation adjustments are recognized in net earnings for the period.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

2. Significant accounting policies (continued):

(l) Financial instruments (continued):

Other financial liabilities include accounts payable and accrued liabilities and amounts due to related parties, are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method. Gains and losses resulting from revaluation and foreign exchange translation adjustments are recognized in net earnings for the period.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is permanently impaired using the following criteria:

- For available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the statement of operations.
- For loans and receivables, a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

(m) Loss per share:

Basic loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the reporting period. Diluted loss or earnings per share is computed similar to basic loss per share except that the weighted average number of common shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options or warrants were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. Diluted loss per share is the same as basic loss per share because the effect on the basic loss per share of outstanding options and warrants is anti-dilutive.

(n) Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

3. Changes in accounting policies:

Fair value hierarchy:

During the year, the AcSB amended CICA 3862, *Financial Instruments – Disclosures*, to require enhanced disclosures about the relative reliability of the data, or “inputs”, that an entity uses to measure the fair values of its financial instruments. It requires financial instruments measured at fair value to be classified into one of three levels in the “fair value hierarchy” based on the lowest level input that is significant to the fair value measurement in its entirety. The amended section relates to disclosure only and did not have a material impact on the financial results of the Company. These disclosures are presented in note 13.

4. Recent accounting pronouncements:

(a) Business Combinations/Consolidated Financial Statements/Non-Controlling Interests:

The AcSB issued CICA Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which replaced Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. CICA Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Section 1601 and CICA Section 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Early adoption is permitted for these new standards. The Company does not expect the adoption of these sections to have a material impact on its consolidated financial statements.

(b) International Financial Reporting Standards (IFRS):

In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011 and restatement of the opening balance sheet as at July 1, 2010.

The execution of the Company's IFRS conversion plan is underway, including the evaluation of financial impact upon IFRS adoption, development of IFRS accounting policies, and redesign of business processes. The Company anticipates there will be changes in accounting policies and these changes may materially impact our financial statements but the impact cannot be reasonably estimated at this time.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

5. Amounts receivable:

	2010	2009
Value added tax recoverable	\$ 124,716	\$ 141,718
Other	1,853	1,913
	\$ 126,569	\$ 143,631

The Company, through its Mexican subsidiary, pays value added tax on the purchase and sale of goods and services at a rate of 16%. The net amount paid or payable is viewed as recoverable, but such recovery is subject to review and assessment by local tax authorities.

6. Mineral property exploration expenditures:

The continuity of expenditures on mineral properties for year ended June 30, 2010 is as follows:

	Casummit (a)	Thorn (b)	Los Venados (c)	Plomo (d)	2010
Exploration expenditures:					
Option payments	\$ -	\$ -	\$ 32,118	\$ 14,683	\$ 46,801
Legal	7,819	-	-	-	7,819
Project administration	4,753	-	11,315	9,456	25,524
	12,572	-	43,433	24,139	80,144
Cost recoveries (note 6(b))	-	(6,250)	-	-	(6,250)
	12,572	(6,250)	43,433	24,139	73,894
Cumulative expenditures, beginning of period	1,176,657	1,979,941	532,971	731,529	4,421,098
Cumulative expenditures, end of period	\$1,189,229	\$ 1,973,691	\$ 576,404	\$ 755,668	\$ 4,494,992

The continuity of expenditures on mineral properties for year ended June 30, 2009 is as follows:

	Casummit (a)	Thorn (b)	Los Venados (c)	Plomo (d)	2009
Exploration expenditures:					
Option payments	\$ -	\$ -	\$ 33,151	\$ 11,769	\$ 44,920
Field costs	-	-	30,658	25,411	56,069
Geology	-	-	7,298	24,798	32,096
Project administration	-	-	18,418	11,581	29,999
	-	-	89,525	73,559	163,084
Cumulative expenditures, beginning of period	1,176,657	1,979,941	443,446	657,970	4,258,014
Cumulative expenditures, end of period	\$1,176,657	\$ 1,979,941	\$ 532,971	\$ 731,529	\$ 4,421,098

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

6. Mineral property exploration expenditures (continued):

(a) Casummit Lake property:

On June 19, 2009, Premier Gold Mines Limited (Premier) sold its 49% interest in the Argosy property to the Company. Under the terms of the acquisition, the Company issued Premier a total of two million shares of Cangold with a fair value of \$80,000 and made a cash payment of \$10,000. Premier retained a 0.5% net smelter return (NSR), which can be purchased for \$500,000. A further underlying 2% NSR remains in force and Cangold can purchase 1% for \$500,000.

The Company previously had a 51% participating interest in, and was the operator of, a Joint Venture formed for the exploration and development of the Casummit Lake mining claims located in the Red Lake Mining Division, Northwestern Ontario, commonly known as the Argosy Gold Mine property (the Argosy Property). Under the terms of the Joint Venture, the operator proposed the exploration programs. The expenditures disclosed in the table above reflect only the Company's proportionate 51% interest in the Casummit Lake property. The Company initially incurred 100% of costs under the exploration programs and recovered 49% of such costs from the 49% owner.

No exploration expenditures were incurred during the years ended June 30, 2010 and 2009.

(b) Thorn property:

The Company had an undivided 51% interest in, and was the operator of, a Joint Venture formed for the exploration of the Check-Mate, Stuart and Thorn Claims ("Thorn property") which are situated in the Atlin Mining Division, Northwestern British Columbia. Under the terms of the Joint Venture, the operator proposed the exploration programs. The expenditures disclosed in the table above reflect only the Company's proportionate 51% interest in the Thorn property. The Company had initially incurred 100% of the costs under exploration programs and recovered 49% of such costs from the 49% owner.

The Company was contingently liable for the site restoration of the mineral property under the regulations of the Mines Act (the Act) of the Province of British Columbia. The required deposit under the Act was supported by a term deposit held by the Company in the amount of \$25,800. There was no asset retirement obligation.

On April 11, 2008, the Company signed an agreement with Rimfire Minerals Corp. (Rimfire) whereby Rimfire purchased Cangold's 51% interest in the Thorn Property in exchange for a cash payment of \$100,000 and 100,000 shares in Rimfire with a fair value of \$129,000. The Company is also entitled to 25% of any proceeds from the future sale or optioning of this property by Rimfire. Furthermore, the Company is to receive from Rimfire \$1,000,000 or 250,000 Rimfire common shares, at Rimfire's election, should the Thorn property be placed into commercial production while Rimfire owns at least 10% of the property. During the year ended June 30, 2009, the site restoration reclamation deposit requirement was transferred to Rimfire Minerals Corp. and the term deposit supporting the reclamation deposit requirement was released.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

6. Mineral property exploration expenditures (continued):

(b) Thorn property (continued):

On August 5, 2009, Rimfire Minerals Corp. combined with Geoinformatics Exploration Inc. to form a new entity, Kiska Metals Corporation. Geoinformatics Exploration Inc. completed a one for three share consolidation and name change to Kiska Metals Corporation. Rimfire ceased trading and its shareholders received 0.87 common shares of Kiska Metals Corporation for each Rimfire common share held. Kiska Metals Corp. commenced trading under TSX-V symbol KSK on August 6, 2009.

On June 3, 2010, Kiska Metals Corp. entered into an option agreement with Brixton Metals Corporation on the Thorn Property. Under the Brixton/Kiska option agreement, Brixton may earn a 51% interest in the Thorn property by making cash payments totaling \$200,000 and by issuing 400,000 shares and incurring \$5 million in exploration expenses over a four year period. Brixton may earn an additional 14% by spending an additional \$10 million over an additional three years if Kiska elects not to join venture. As per the Kiska (formerly Rimfire) and Cangold agreement, Cangold is entitled to receive 25% of cash and share payments made to Kiska in connection with future project deals. As of June 30, 2010, Cangold has received the first cash option payment of \$6,250.

(c) Los Venados:

On July 13, 2007, the Company signed an option agreement to acquire a 100% interest in the Los Venados Property in Sonora, Mexico. The Company can acquire a 100% interest in the Los Venados property by making staged cash payments totaling \$250,000 (\$90,000 paid as of June 30, 2010) and issuing 500,000 shares (300,000 shares issued as of June 30, 2010) over five years. The acquisition is subject to a 2% NSR, half of which can be purchased for \$500,000.

Subsequent to June 30, 2010, the Company terminated its option on the Los Venados property.

(d) Plomo:

On November 9, 2007, the Company signed an option agreement to acquire a 100% interest in the Plomo Property in Sonora, Mexico. The Company can acquire a 100% interest in the Plomo property by making staged cash payments totaling \$100,000 (\$30,000 paid as of June 30, 2010) and issuing 700,000 shares (400,000 shares issued as of June 30, 2010) over five years. The Plomo Property is subject to a 2% NSR, half of which can be purchased for \$500,000. The Company also issued 500,000 warrants to the vendor priced at \$0.50 per share which expired on December 16, 2009.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

6. Mineral property exploration expenditures (continued):

(d) Plomo (continued):

In consideration for the purchase, the Company must make further payments totaling \$70,000 and issue 300,000 shares as follows:

In the calendar year of	2010	2011	2012	Total
Cash payments	\$ 15,000	\$ 25,000	\$ 30,000	\$ 70,000
Share payments	100,000	100,000	100,000	300,000

7. Mineral properties and equipment:

	2010	2009
Canada:		
Mineral properties:		
Argosy mine (note 6(a))	\$ 90,000	\$ 90,000
Equipment:		
Computer equipment	-	8,390
Field equipment	-	6,026
	-	14,416
Accumulated depreciation	-	(10,380)
	-	4,036
Mexico:		
Field equipment	-	24,702
Accumulated depreciation	-	(10,576)
	-	14,126
	\$ 90,000	\$ 108,162

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

8. Capital stock:

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued:

	Number of shares	Assigned value
Balance, June 30, 2008	69,925,722	\$ 9,727,992
Issue of shares pursuant to mineral property option agreements Los Venados and Plomo properties	200,000	10,500
Issue of shares pursuant to mineral property purchase agreement Argosy property	2,000,000	80,000
Issue of shares to transfer agent in trust for unexchanged shares	23	-
Private placement at \$0.05 per unit, net of costs ⁽ⁱ⁾	4,700,000	220,385
Issue of warrants for financing services	-	(2,314)
Balance, June 30, 2009	76,825,745	10,036,563
Issue of shares pursuant to mineral property option agreements Los Venados and Plomo properties	150,000	6,750
Private placement at \$0.05 per unit, net of costs ⁽ⁱⁱ⁾	10,900,000	522,078
Issue of warrants for financing services	-	(1,968)
Balance, June 30, 2010	87,875,745	\$ 10,563,423

(i) On March 13, 2009, the Company issued 4,700,000 units by private placement at a price of \$0.05 per unit (Unit), for gross proceeds of \$235,000 and paid cash issuance costs of \$14,615. Each Unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each full warrant entitled the holder to acquire, upon exercise, one additional common share at \$0.10 until March 12, 2010. The warrants expired unexercised on March 12, 2010.

The Company also issued 161,000 finder warrants entitling the holder to acquire, upon exercise, one common share of the Company at \$0.10 until March 12, 2010. The fair value of finder warrants of \$2,314 was recorded as a cost of financing and is included in contributed surplus.

(ii) On December 21, 2009, the Company issued 10,900,000 units by private placement at a price of \$0.05 per unit (Unit), for gross proceeds of \$545,000 and paid cash issuance costs of \$22,922. Each Unit consisted of one common share and one non-transferable share purchase warrant. Each full warrant entitles the holder to acquire, upon exercise, one additional common share at \$0.10 until December 20, 2010. After the expiration of the hold period, the Company has the right to accelerate the expiry date of the warrants should the closing price of the Company's shares on the TSX Venture Exchange be at least \$0.20 for 20 consecutive trading days.

The Company also issued 201,000 finder warrants entitling the holder to acquire, upon exercise, one common share of the Company at \$0.10 until December 20, 2010. The fair value of finder warrants of \$1,968 is recorded as a cost of financing and is included in contributed surplus.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

8. Capital stock (continued):

(c) Contributed surplus:

Balance, June 30, 2008	\$ 1,170,007
Stock-based compensation	7,975
Issue of warrants for financing services	2,314
Balance, June 30, 2009	1,180,296
Issue of warrants for financing services	1,968
Balance, June 30, 2010	\$ 1,182,264

(d) Warrants:

The continuity of share purchase warrants for 2010 is as follows:

Series	Exercise price	Expiry date	2009	Issued	Exercised	Expired	2010
Purchase Warrants	\$0.50	Dec 16, 2009	500,000	-	-	(500,000)	-
Series "N" ⁽ⁱ⁾	\$0.10	March 24, 2010	2,962,500	-	-	(2,962,500)	-
Series "O" ⁽ⁱⁱ⁾	\$0.10	March 12, 2010	2,350,000	-	-	(2,350,000)	-
Finder Warrants	\$0.10	March 12, 2010	161,000	-	-	(161,000)	-
Series "P" ⁽ⁱⁱⁱ⁾	\$0.10	Dec 20, 2010	-	10,900,000	-	-	10,900,000
Finder Warrants	\$0.10	Dec 20, 2010	-	201,000	-	-	201,000
			5,973,500	11,101,000	-	(5,973,500)	11,101,000

(i) On March 6, 2009, the Board of Directors approved amending the terms of the 2,962,500 outstanding "N" warrants by reducing the exercise price from \$0.25 to \$0.10 and extending the expiry date from March 24, 2009 to March 24, 2010.

(ii) Note 8(b)(i).

(iii) Note 8(b)(ii).

The continuity of share purchase warrants for 2009 is as follows:

Series	Exercise price	Expiry date	2008	Issued	Exercised	Expired	2009
Purchase Warrants	\$0.50	Dec 16, 2009	500,000	-	-	-	500,000
Series "N"	\$0.10	March 24, 2010	2,962,500	-	-	-	2,962,500
Finder Warrants	\$0.25	March 24, 2009	465,090	-	-	(465,090)	-
Series "O"	\$0.10	March 12, 2010	-	2,350,000	-	-	2,350,000
Finder Warrants	\$0.10	March 12, 2010	-	161,000	-	-	161,000
			3,927,590	2,511,000	-	(465,090)	5,973,500

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

8. Capital stock (continued):

(e) Stock options (continued):

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. TSX-V policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to qualified persons as incentive for their services. Pursuant to the Company's 2003 Incentive Stock Option Plan, stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the outstanding issue of the Company at the time of granting and may not exceed 5% of the outstanding issue to any individual (maximum of 2% to any consultant) in any 12 month period. The exercise price of stock options is determined by the board of directors of the Company by reference to the market value of the shares at the date of grant. Options have expiry dates of no longer than five years from the date of grant and terminate 30 days following the termination of the participant's employment. Vesting of options determined at the time of granting of the options is at the discretion of the board of directors unless otherwise specified. Once approved and vested, the options are exercisable at any time.

The continuity of common share stock options for 2010 is as follows:

Exercise price	Expiry date	2009	Granted	Cancelled/ expired	Exercised	2010
\$0.16	September 7, 2009	200,000	-	(200,000)	-	-
\$0.12	March 29, 2010	900,000	-	(900,000)	-	-
\$0.15	May 7, 2011	25,000	-	-	-	25,000
\$0.15	May 3, 2012	125,000	-	-	-	125,000
\$0.15	December 20, 2012	525,000	-	-	-	525,000
\$0.15	December 20, 2009	440,000	-	(440,000)	-	-
\$0.15	December 31, 2009	150,000	-	(150,000)	-	-
\$0.15	April 30, 2013	1,925,000	-	-	-	1,925,000
		4,290,000	-	(1,690,000)	-	2,600,000
Weighted average exercise price		\$0.14	-	(\$0.14)	-	\$0.15

As at June 30, 2010, 2,600,000 options with a weighted average exercise price of \$0.15 (2009 - \$0.14) were exercisable. The weighted average remaining contractual life of the options is 2.7 years.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

8. Capital stock (continued):

(e) Stock options (continued):

The continuity of common share stock options for 2009 is as follows:

Exercise price	Expiry date	2008	Granted	Cancelled/ expired	Exercised	2009
\$0.11	September 21, 2008	100,000	-	(100,000)	-	-
\$0.30	January 14, 2009	1,125,000	-	(1,125,000)	-	-
\$0.16	September 7, 2009	200,000	-	-	-	200,000
\$0.12	March 29, 2010	1,700,000	-	(800,000)	-	900,000
\$0.15	May 7, 2011	50,000	-	(25,000)	-	25,000
\$0.15	May 3, 2012	300,000	-	(175,000)	-	125,000
\$0.15	December 20, 2012	650,000	-	(125,000)	-	525,000
\$0.15	December 20, 2009	440,000	-	-	-	440,000
\$0.15	December 31, 2009	150,000	-	-	-	150,000
\$0.15	April 30, 2013	2,175,000	-	(250,000)	-	1,925,000
		6,890,000	-	(2,600,000)	-	4,290,000
Weighted average exercise price		\$0.17	-	(\$0.20)	-	\$0.14

9. Related party transactions:

For the year ended June 30, 2010, expenses totaling \$191,628 (2009 - \$120,911) for consulting, accounting, rent and office were charged to the Company by officers, directors or companies controlled by the directors of the Company.

As at June 30, 2010, \$174,247 (2009 - \$36,027) was due to officers, to companies controlled by directors of the Company and to a company with common directors. The amounts owing are due on demand, non-interest bearing and unsecured.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

10. Income taxes:

Income tax recovery differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of approximately 29.25% to the loss before income taxes. The reasons for the differences are as follows:

	2010	2009
Net loss before tax	\$ (572,174)	\$ (579,649)
Canadian income tax rate	29.25%	30.25%
Computed tax recovery	(167,361)	(175,344)
Financing costs deductible for tax purposes	(7,434)	(16,664)
Non-deductible capital items and other	5,079	20,290
Benefit of current year losses not recognized	157,896	146,632
Difference in tax rates in foreign jurisdictions	11,820	25,086
Income tax recovery	\$ -	\$ -

At June 30, 2010, the Company had operating losses carried forward of \$4,372,000 (2009 - \$3,890,000) and capital losses carried forward of \$1,824,000 (2009 - \$1,827,000). The operating losses at June 30, 2010 include \$3,562,000 (2009 - \$3,136,000) in Canada and \$810,000 (2009 - \$754,000) in Mexico. The capital losses are without expiry, and the operating losses expire at various dates to 2029.

As at June 30, 2010 and 2009, the tax effect of the significant components of the Company's future tax assets are as follows:

	2010	2009
Future tax assets:		
Non-capital loss carry forwards	\$ 1,032,188	\$ 915,418
Net capital loss carry forwards	456,006	456,636
Mineral properties	832,570	832,570
Financing costs	14,654	15,277
Other	24,060	27,543
Total future tax assets	2,359,478	2,247,444
Valuation allowance	(2,359,478)	(2,247,444)
Future tax assets, net of allowance	\$ -	\$ -

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

10. Income taxes (continued):

Management believes that it is not more likely than not that it will create sufficient taxable income to realize its future tax assets. As a result, a full valuation allowance has been recognized.

A new tax in Mexico, referred to as a "Flat Tax", was enacted in 2007 and came into effect on January 1, 2008. The Flat Tax is an alternative minimum tax. Taxpayers are required to pay the higher of the amount due under income tax or Flat Tax.

11. Accumulated other comprehensive income (loss):

	2010	2009
Balance, beginning of period	\$ (24,750)	\$ (44,500)
Unrealized gain (loss) on marketable securities	35,951	(48,250)
Other than temporary impairment loss on marketable securities	11,250	68,000
Balance, end of period	\$ 22,451	\$ (24,750)

12. Capital management:

The Company's objectives when managing capital are to:

- ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern,
- maintain adequate levels of funding to support the acquisition and exploration of mineral properties
- maintain investor, creditor and market confidence to sustain future development of the business, and
- provide returns to shareholders and benefits for other stakeholders.

The properties in which the Company currently has an interest are in the exploration stage and as such, the Company is dependent on external financing to fund its activities. To undertake planned exploration, during the financial period ended June 30, 2010, the Company raised \$522,078 through a non-brokered private placement.

The Company manages its capital in a manner that provides sufficient funding for operational activities. Annual capital and operating expenditure budgets, and rolling forecasts, are used to determine the necessary capital requirements. These budgets are updated for changes in the underlying assumptions, economic conditions and risk characteristics of the underlying assets, as necessary. In order to maintain or adjust the capital structure, the Company may secure funds through equity capital raised by way of private placements. For the year ended June 30, 2010, there were no changes in quantitative and qualitative data about the Company's objectives, policies and processes for managing capital as compared to the prior period.

Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

As at June 30, 2010, total managed capital, comprised of shareholders' equity, was \$167,865 (2009 – 164,010).

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

13. Fair value of financial instruments:

The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of the items. For the year ended June 30, 2010, a fair value adjustment of \$35,951 for marketable securities designated as available-for-sale has been recognized in other comprehensive income. The fair values of marketable securities are based on current bid prices at June 30, 2010. Available-for-sale financial assets are denominated in Canadian dollars. An other than temporary impairment loss of \$11,250 was recorded to net loss during the current year.

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2010⁽¹⁾:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 103,163	\$ -	\$ -	\$ 103,163
Marketable securities	82,190	-	-	82,190
	\$ 185,353	\$ -	\$ -	\$ 185,353

(i) Information for the year ended June 30, 2010 has not been presented in the table because comparative information is not required in the year of adoption.

14. Financial risk exposure and risk management:

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration program, and limited exposure to credit and market risks. There were no changes to the objectives or the process from the prior period.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

14. Financial risk exposure and risk management (continued):

The types of risk exposure and the way in which such exposures are managed are as follows:

(a) Concentration risk:

Concentration risk exists in cash and cash equivalents because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is a prime Canadian bank.

(b) Credit risk:

Credit risk primarily arises from the Company's cash and cash equivalents and amounts receivable. The risk exposure is limited to their carrying amounts at the balance sheet date. Cash and cash equivalents are held as cash deposits or invested in guaranteed investment certificates with various maturity dates. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank and the investment grade of the guaranteed investment certificates.

Amounts receivable primarily consists of value added tax recoverable (VAT). To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable. There is no indication at June 30, 2010 that the VAT will not be fully recoverable from Mexican authorities.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures there is sufficient capital to meet short term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of the assets, liabilities and cash flows. The Company prepares a cash flow and liquidity forecasts on a quarterly basis.

The Company's cash and cash equivalents are held as cash deposits which are available on demand to fund the Company's operating costs and other financial demands.

(d) Market risk:

The significant market risks to which the Company is exposed are currency, interest rate and marketable security price risk.

Currency risk:

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risk.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

14. Financial risk exposure and risk management (continued):

(d) Market risk (continued):

Currency risk (continued):

The majority of the Company's exploration costs are incurred in Mexico and are denominated in Mexican Peso (MXN Peso) or US dollar (USD). The fluctuation of the USD and MXN Peso in relation to the Canadian dollar (CAD) will consequently impact the loss of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

Comparative foreign exchange rates as at June 30, 2010 are as follows:

	2010	2009
MXN Peso to CAD	0.083	0.088
USD to CAD	1.065	1.163

The Company has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions for the Mexican operations is not significant and therefore does not hedge its foreign exchange risk.

Interest rate risk:

The Company's policy is to invest cash in guaranteed investment certificates at fixed or floating rates of interest and cash equivalents are to be maintained in floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. However, at June 30, 2010 and 2009, all of the Company's cash was in a non-interest bearing chequing account. Therefore, the Company is not currently exposed to fluctuations in interest rates.

Marketable security price risk:

Marketable security price risk is the risk of fluctuations in the trading share price of marketable securities held by the Company. The trading share price of a company is affected by: internal events that occur within that company that affect the company's fundamentals directly or indirectly; external events (i.e., major political, economic and social, that occur in the world that indirectly affect the company and the industry; and general market pressure from the major indexes). Most of these factors are beyond the Company's control. The Company invests in marketable securities where management teams are known and respected and in industries which it is knowledgeable in.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended June 30, 2010 and 2009

14. Financial risk exposure and risk management (continued):

(d) Market risk (continued):

Sensitivity analysis:

Based on historic trends over the last twelve months, volatilities in the above-noted market risks, and management's knowledge and experience in the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

- Proportional foreign exchange movement of -10% (depreciation of CAD) and +10% (appreciation of CAD) against the USD, from the June 30, 2010 CAD to USD exchange rate of 0.94.
- Proportional foreign exchange movement of -10% (depreciation of CAD) and +10% (appreciation of CAD) against the Mexican peso, from the June 30, 2010 CAD to MXN Peso exchange rate of 12.10.

If these movements were to occur, the impact on the consolidated net loss for each category of financial instrument held at the balance sheet date is presented below.

	Carrying amount	Currency rate risk	
		-10% income	+10% income
Financial assets:			
Cash and cash equivalents:			
USD	\$ 480	\$ 88	\$ (44)
MXN Pesos	12,435	1,382	(1,130)
Amounts receivable:			
MXN Pesos	124,716	13,857	(11,338)
Financial liabilities:			
Accounts payable and accrued liabilities:			
MXN Pesos	(2,397)	(266)	218
Total increase (decrease) in net loss	\$ -	\$ 15,061	\$ (12,294)

15. Subsequent event:

On July 9, 2010, the Company terminated its option on the Los Venados property.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F1

For the year ended June 30, 2010

This Management's Discussion and Analysis ("MD&A") prepared as of October 22, 2010 reviews the activities of Cangold Limited ("Cangold" or "the Company") for the year ended June 30, 2010 and other material events up to the date of this report. The following information should be read in conjunction with the Company's June 30, 2010 annual audited consolidated financial statements and related notes.

The financial data included in the discussion provided in this report has been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts are in Canadian dollars, unless otherwise noted.

RECENT DEVELOPMENTS

For the last two years, financing opportunities for junior exploration companies have been challenging. As such, Cangold's management has been looking for a project to acquire that is either in production or could be quickly brought into production, in order to provide cash flow and reduce the Company's reliance on capital markets. Two such opportunities were identified in the last fiscal year, out of many projects that were reviewed and, in some cases, visited. One of these was a producing gold mine in South America and the other was an open pit target in northern Mexico. After many months of due diligence and negotiations, however, both projects were removed from the market by the respective vendors who decided not to sell.

Set-backs such as these are frustrating and time-consuming but unavoidable. Nonetheless, Cangold's management is committed to finding a suitable project to revitalize the company and restore shareholder value. The focus remains on gold in Latin America. However, recent success by Gold Canyon Resources at their Springpole Project in the Birch Lake area of northern Ontario has revived attention in this region east of Red Lake that also hosts Cangold's 100% owned Argosy gold mine. As such, the Company may consider a renewed exploration effort at Argosy in the coming months.

DESCRIPTION AND OVERVIEW OF BUSINESS

Cangold Limited is an active resource exploration company listed on the TSX Venture Exchange, trading under the symbol "CLD".

The Company holds an option to acquire a 100% interest in the Plomo property located in Sonora, Mexico. The Company also maintains a 100% interest in the past producing gold mine, Argosy, in northern Ontario, Canada.

Currently, there are no mineral reserves delineated on the properties in which the Company has an interest. Therefore there are no producing properties, and consequently no operating income or cash flow. In the past, Cangold has accessed, and in the future will continue to access, the equities markets to raise the funds needed to continue exploration programs on its various property holdings and to meet its ongoing working capital requirements. Because of the magnitude of the expenditures needed to fund exploration programs, the Company has made use of joint ventures in the past to share the costs and risks associated with exploring some of its mineral properties.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F1

For the year ended June 30, 2010

SELECTED ANNUAL INFORMATION

	<i>2010</i>	<i>2009</i>	<i>2008</i>
Net sales or total revenue	Nil	Nil	Nil
General and administrative expenses (excluding stock-based compensation and mineral property exploration expenses)	\$ 485,167	\$ 410,561	\$ 579,178
Stock-based compensation	-	7,975	298,241
Mineral exploration expenses	73,894	163,084	839,733
Write-down of marketable securities	11,250	68,000	-
Loss for the year	572,174	647,649	1,705,045
Loss per share (weighted average)	0.01	0.01	0.03
Comprehensive loss for the year	524,973	627,899	1,749,545
Cash and cash equivalents	103,163	35,089	367,449
Total assets	421,780	347,952	685,773
Total liabilities	253,915	183,942	212,724
Working capital	\$ 77,865	\$ 55,848	\$ 423,578

RESULTS OF OPERATIONS

The Company reported a loss of \$572,174 and cash outflows from operations of \$615,269 for the year ended June 30, 2010 compared with a loss of \$647,649 and cash outflows from operations of \$582,906 for same twelve-month period in fiscal 2009. The decreased loss in the current fiscal year can be attributed to lower overhead costs and decreased exploration expenditures on its exploration properties in Mexico.

Due to the continuing difficulty in financing junior exploration companies, management has undertaken a plan to significantly reduce costs through a series of actions, including curtailing exploration activities and reducing overhead to the extent possible, while searching for a key project on which to re-focus the Company. As such, expenses in general have decreased compared to the prior year.

Consulting costs in fiscal year 2010 were \$42,794 compared to \$84,251 in the twelve months ended June 30, 2009. This decrease is primarily due to lower overhead costs during the current year.

The Company incurred a foreign exchange loss of \$13,553 and \$27,980, respectively for the year ended June 30, 2010 compared to the same period in 2009. The Canadian dollar strengthened relative to the Mexican peso during the fiscal year. As such, the foreign exchange loss incurred on the revaluation of the Mexican subsidiary's monetary assets and liabilities at the current exchange rate at year end was lower in the current fiscal year.

The Company incurred \$73,894 in mineral property exploration expenditures during the year ended June 30, 2010 compared to \$163,084 in the same period in 2009. The table in note 6 to the audited consolidated financial statements for the year summarizes the costs by property and type of expenditure. The decrease is due to no exploration activities being conducted on the Los Venados and Plomo properties in Mexico during the current fiscal year.

The Company incurred general exploration expenses of \$161,292 for the twelve months ended June 30, 2010, compared to \$5,841 during the same period in 2009. This increase is due to evaluation costs associated with two significant acquisition opportunities being pursued in South America and Mexico.

The Company is in the exploration stage and has not yet determined whether its properties contain ore reserves that are economically recoverable. The Company has no producing properties, and consequently no sales and nominal interest revenues from interest-bearing cash accounts.

The above explanations of annual year over year changes are largely the same for the fourth quarter.

Exploration Activities and Property Expenditures

The Company suspended all exploration activities on its two Mexican projects during the first quarter of 2009 in order to preserve cash. As the stability of global financial markets continues to be uncertain at this time, this suspension is indefinite, and the resumption of exploration will depend upon the condition of the equity markets. In the interim, Cangold has no expenditure obligations on any of its projects beyond payments on options which Cangold intends to continue to maintain in good standing.

The notes to the June 30, 2010 audited financial statements contain a schedule summarizing the total expenditures made on the properties.

a) Casummit Lake Property:

The Casummit Lake (Argosy) property consists of 101 claim units and is located in the Red Lake Mining Division, Northwestern Ontario.

On June 19, 2009, Premier Gold Mines Limited ("Premier") sold its 49% interest in the Argosy property to the Company. Under the terms of the acquisition, the Company issued Premier a total of 2 million shares of Cangold with a fair value of \$80,000 and made a cash payment of \$10,000. Premier retained a 0.5% net smelter return ("NSR"), which can be purchased for \$500,000. A further underlying 2% NSR remains in force and Cangold can purchase 1% for \$500,000.

No field work was conducted on the property during the year ended June 30, 2010. However, Management believes that the Casummit Lake property justifies further expenditures to fully test its potential. A recent discovery of wide intervals of low-grade gold mineralization in the Springpole Lake area, southeast of Casummit Lake, is bringing new attention to this region and the Company may consider a renewed exploration effort at the Argosy Mine.

(b) Los Venados:

On July 13, 2007, the Company signed an Option Agreement to acquire a 100% interest in the Los Venados property contiguous with, and along strike from, the Mulatos Gold Mine in the prolific Sierra Madre gold belt of Sonora, Northern Mexico.

Los Venados lies within the emerging Mulatos gold mining district – a 15-20 kilometre long northwest trending belt of strong hydrothermal alteration and gold mineralization in Tertiary volcanic rocks within the Sierra Madre Mountains. The target at Los Venados is a multimillion ounce high sulphidation epithermal gold deposit amenable to open pit mining and heap leaching. The southern boundary of the Los Venados claim is located within 1,500 metres of the Estrella open pit, which contains Proven & Probable Reserves of 31,900,000 tonnes at a grade of 1.64 g/t Au for a total of 1,683,000 ounces of gold.

The 3,200 hectare Los Venados claim is easily accessible by an all weather road, approximately 220 kilometres southeast of Hermosillo, and covers a large hydrothermal system where three zones of intense argillic alteration, silicification and gold mineralization have already been identified. The property has been subjected to very little historical work and initial grab sampling has yielded gold values ranging from 0.01 to 1.84 g/t.

Geological mapping and prospecting, and detailed sampling of the property commenced during the first quarter of fiscal 2008.

During the second quarter of fiscal 2008, the Company announced a gold bearing zone had been discovered. Initial chip and grab sampling of silica vein material on the Duraznito Zone resulted in 20 of 35 samples returning significant gold values greater than 0.1 g/t, nine of the 20 assaying greater than 1.0 g/t and one sample assaying 50.9 g/t gold. The dimension of the area sampled to date is approximately 120 metres long by 65 metres wide.

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The aforementioned samples were taken from multi-directional quartz vein swarms hosted along a contact between Tertiary age andesite tuff and porphyritic dacite volcanics. These units are host to more than four square kilometres of intense argillic and silica alteration which is being systematically mapped and sampled. Geological field evidence and initial PIMA analysis (to classify the argillic alteration) indicates that the alteration is high-sulfidation epithermal in nature, similar to that on the adjacent Mulatos Mine project.

The Company could acquire a 100% interest in the Los Venados property by making staged cash payments totaling \$250,000 (\$90,000 paid as of June 30, 2010) and issuing 500,000 shares (300,000 shares issued as of June 30, 2010) over 5 years. The acquisition was subject to a 2% NSR, half of which could be purchased for \$500,000.

No field work was conducted on the Los Venados property after the first quarter of fiscal 2009.

The Company has spent \$576,000 in option and exploration costs, and additional expenditures would be required to adequately test the property's full potential. However, given the relatively low grades observed so far, management felt that the additional imminent payments required to keep the option current, as well as further exploration costs, were not justified in view of the current climate of market uncertainty.

Management's approach is to seek properties which are, have been, or are close to being, in production. Accordingly, the Company decided to terminate its option on the Los Venados property on July 9, 2010 and will instead continue to evaluate potential acquisitions or projects that could result in near term production.

c) *Plomo Property:*

On November 9, 2007, the Company signed an Option Agreement, through its Mexican subsidiary, to acquire a 100% interest in the Plomo property located within the Sonoran "Golden Triangle", a prolific gold belt extending through northern Sonora and into southern California and Arizona. Examples of gold deposits within this belt include La Herradura (Mexico's largest open pit gold mine), La Choya, and El Chanate in the Caborca region of northwestern Sonora, and Mesquite and Picacho in the Yuma area of southwestern Arizona and southeastern California.

The 4,279 hectare Plomo project lies within the Altar desert of northwestern Sonora, approximately 320 kilometres northwest of Hermosillo and 52 kilometres northwest of Caborca by paved highway. The eastern boundary of the Plomo claim is within 4 kilometres of the highway and access around the property is excellent via secondary all weather roads. Historical dry placer workings have been noted on the property.

Mapping and sampling on the Plomo property conducted during the second and third quarters of fiscal 2008 identified seven zones of gold mineralization within a northeast trending structural zone that is at least five kilometres long by three kilometres wide. Gold mineralization is related to quartz veining, with sericite and hematite alteration, in subsidiary north-south to northwest striking structures with modest to shallow southwest or northeast dips. The northeast structure is reflected by a distinct linear valley which in the past was the focus of dry placer gold exploitation.

From southwest to northeast six zones of gold mineralization have been named Banco de Oro, San Perfecto, Pavorreal (2 zones), San Crecencio, and Bonancita. The most recently discovered zone, called Culebra, is associated with the south bounding, NE trending, moderately NW dipping shear which presently defines the southeast side of the prospective area.

The Company completed a Phase I core drilling program on the Plomo project in September 2008. The objective of the first-pass drilling was to gain a better understanding of the structural control of the gold mineralization within the 5 by 3 kilometre structural corridor identified by surface mapping and sampling, and to look for areas where the flat-lying gold-bearing structures coalesce into a larger zone with resource potential.

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The Phase 1 drilling program comprised 1,498.5 metres in 10 widely spaced holes. Targets tested in this program included the gold-bearing, altered, low angle structures of Banco de Oro (1 hole), Pavorreal (6 holes), San Perfecto (2 holes), and Bonancita (1 hole) zones. In most holes, the targeted structures were intersected as planned and, to some degree, were gold-bearing.

Hole SP08-001, drilled immediately below the Banco de Oro workings (up to 298.0g/t gold), did not intersect the structure, likely due to a fault offset. Drill holes SP08-002 and SP08-003 were drilled at San Perfecto. The low angle structural zones noted on surface were intersected and show variable intensity of fracturing, brecciation, chloritization, quartz veining, silicification and disseminated pyrite. SP08-002 intersected 4.0 metres grading 0.92g/t gold starting at 5.7 metres. SP08-003 was more intensely fractured and altered and intersected 11.65 metres grading 0.66g/t gold starting at 18.3 metres, including 2.28g/t over 2.0 metres. Drill intersections are believed to represent true widths.

Core holes SP08-004 to SP08-009 were drilled in the Pavorreal area and intersected wide sections of intense alteration. SP08-006 intersected 30 metres of well foliated rock with tourmaline and hematite-jarosite alteration but yielded no significant assays. Holes SP08-005 and SP08-008 intersected wide intervals of silicified, fractured, and pyritic diorite but contained only narrow intervals of gold mineralization with anomalous copper, lead and zinc (see table below). SP08-010 was drilled at Bonancita with the objective of hitting the very fractured/sheared pyritic zone observed on surface. It intersected 130 metres of sheared and crackle-brecciated andesite, with disseminated pyrite and sporadic brecciated quartz veins but returned no significant assays.

The Phase I widely-spaced drilling at Plomo has demonstrated that the flat lying structures observed on surface play an important role in localizing gold mineralization. It would appear that another set of controls, such as cross-cutting structures, is required in order to upgrade the gold. As such, detailed geological mapping and rock sampling continued in the San Perfecto area after the drilling was completed, with a particular effort towards identifying major structures, alteration types and geological units in order to better discern the spatial relationships and controls of the gold mineralization. This work continues to outline significant gold mineralization, over an area approximately 400 metres across, associated with tourmaline-sericite alteration, gossan, and low angle structures in diorite and granodiorite east of SP08-003. Of 21 new chip channel samples collected across veins, structures, and more intensely altered areas, 13 assayed greater than 0.3g/t gold, and of those 5 were greater than 1.0g/t gold.

At Pavorreal, where widespread gold was encountered in surface sampling yet no significant values encountered in the subsequent drilling, a similar program of detailed geological, alteration and structural mapping is proposed. A new compilation of all this data will then be used to generate new targets for future drilling.

Highlights of Phase I Drilling:

Drill Hole	From (m)	To (m)	Interval (m)	Au g/t
SP08-002	5.70	9.70	4.00	0.92
<i>including</i>	7.70	9.70	2.00	1.60
SP08-003	18.30	29.95	11.65	0.66
<i>including</i>	21.00	23.00	2.00	2.28
SP08-005	30.00	32.00	2.00	1.06
SP08-008	9.30	11.30	2.00	0.59

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In a regional context, gold mineralization at the Plomo project is believed to be related to the Mojave-Sonora Megashear ("MSM"). The MSM is a northwest-trending left-lateral, strike slip fault zone up to 5 kilometres wide and extending for hundreds of kilometres through northern Sonora, southern California and Arizona, and is interpreted to transect the southwest corner of the Plomo project area. Many of the gold mines and prospects in Sonora occur within or are adjacent to the boundary of this regionally extensive structure, including Mexico's largest gold mine, the Peñoles / Newmont La Herradura deposit, which lies 25 kilometres to the west of Plomo and contains a global resource of 104,063,824 tonnes averaging 0.84 g/t gold (Peñoles 2006 Annual Report). Other gold mines along the MSM include La Choya and El Chanate in the Caborca region of north-western Sonora, and Mesquite and Picacho in the Yuma area of south-western Arizona and south-eastern California. The targets at Plomo are low grade, high-tonnage fault-related gold deposits amenable to open pit mining and heap leaching, similar to the aforementioned mines. The relationship of gold mineralization to flat-lying structures is typical of deposits within the MSM and the Company is encouraged by the confirmation of this relationship on the Plomo property.

The Company can acquire a 100% interest in the Plomo property by making staged cash payments totaling \$100,000 (\$30,000 paid as of June 30, 2010) and issuing 700,000 shares (400,000 shares issued as of June 30, 2010) over 5 years, subject to a 2% NSR, half of which can be purchased for \$500,000. The Company also issued 500,000 warrants to the vendor priced at \$0.50 per share which expired on December 16, 2009.

No field work was conducted on the Plomo property after the first quarter of fiscal 2009. Management believes however, that the property justifies further expenditures which will be required to fully test its potential.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

Quarter Ended	Revenue	Net loss	Net (loss) per share ⁽¹⁾
June 30, 2010	\$Nil	\$(107,442)	\$(0.00)
March 31, 2010	\$Nil	\$(162,536)	\$(0.00)
December 31, 2009	\$Nil	\$(120,222)	\$(0.00)
September 30, 2009	\$Nil	\$(181,994)	\$(0.01)
June 30, 2009	\$Nil	\$(159,118)	\$(0.00)
March 31, 2009	\$Nil	\$(128,770)	\$(0.00)
December 31, 2008	\$Nil	\$(131,247)	\$(0.00)
September 30, 2008	\$Nil	\$(228,514)	\$(0.01)

⁽¹⁾ Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

It is the nature of junior exploration companies that there are no sales or revenue. There can be significant variances in the Company's reported loss from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. For example, the granting of incentive stock options, which results in the recording of amounts for stock-based compensation, can be quite large in any given quarter.

There will not be variations due to seasonality as the climate in Mexico is amenable to year round exploration. However, mineral property expenditures can vary from quarter to quarter depending on when option payments are due and the stage of the exploration program (e.g. drilling may slow down for a period of time while results are analyzed, resulting in lower costs during that period).

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LIQUIDITY AND CAPITAL RESOURCES

Cangold does not have any operations that generate cash flow. The Company's financial success relies on management's ability to find economically viable mineral deposits. This process can take many years and is largely based on factors that are beyond the control of Cangold.

In order to finance its exploration activities and corporate overhead, the Company is dependent on investor sentiment remaining positive towards the gold and silver exploration business generally, and towards Cangold in particular, so that funds can be raised through the sale of the Company's securities. Many factors have an influence on investor sentiment, including a positive climate for mineral exploration, a company's track record and the experience and calibre of a company's management. There is no certainty that equity funding will be available at the times and in the amounts required to fund the Company's activities. The "Risks and Uncertainties" section of this document further discusses the going concern issue. The financial statements do not include any adjustments that might result from these uncertainties.

Cangold has financed its activities through brokered and non-brokered private placements and a short form offering. Debt financing has not been used to fund property acquisitions and exploration and the Company has no current plans to use debt financing.

Cash and Financial Conditions

The Company's cash and cash equivalents balance was \$103,163 at June 30, 2010 as compared to \$35,089 at June 30, 2009. The Company's cash equivalents are all fully cashable at any time so there are no restrictions on availability of funds.

The Company had working capital of \$77,865 as at June 30, 2010 compared with working capital of \$55,848 as at June 30, 2009. Working capital, together with some additional equity financing, should be adequate to fund the Company's activities and to cover corporate overhead for the next fiscal year.

The Company has no debt, does not have any unused lines of credit or other arrangements in place to borrow funds and has no off-balance sheet arrangements. Cangold does not use hedges or other financial derivatives.

Investing Activities

During the year ended June 30, 2010, the Company had \$23,045 cash inflows from investing activities compared with \$15,800 as at June 20, 2009. The cash inflows are primarily due to the sale of fixed assets and marketable securities.

The Company purchased a 49% interest in the Argosy property from Premier Gold Mines Limited on July 19, 2009. Cangold made a \$10,000 cash payment under the terms of the acquisition.

Financing Activities

As at June 30, 2010, Cangold had 87,875,745 common shares issued and outstanding.

During the twelve months ended June 30, 2010, the Company issued 50,000 shares at \$0.045 towards the acquisition of the Los Venados property and 100,000 shares at \$0.045 for the acquisition of the Plomo property.

Cash flows from financing activities were \$660,298 for the twelve months ended June 30, 2010. In December 2009, the Company closed a private placement offering of 10,900,000 units of the Company ("Units") at a price of \$0.05 per Unit to raise gross proceeds of \$545,000. The Company received \$522,078 net of cash issue costs during the quarter ended December 31, 2009. Each Unit comprised one common share and one non-transferable share purchase warrant. The securities issued in the private placement were subject to a hold period that expired April 22, 2010. Each whole warrant entitles the holder, upon exercise, to acquire one common share of the Company at a price of \$0.10 until December 20, 2010. The Company paid

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financing fees totaling \$22,922 of which \$10,050 related to finders' fees. The Company also issued 201,000 finder's warrants, which are exercisable at \$0.10 until December 20, 2010.

SECURITIES OUTSTANDING

At the date of this MD&A, the Company had 87,875,745 common shares issued and has 11,101,000 warrants and 2,600,000 options outstanding.

If the Company were to issue all 11,101,000 shares issuable upon the exercise of all warrants outstanding and all 2,600,000 shares issuable upon the exercise of all incentive stock options outstanding, it would raise approximately \$1,500,100.

OUTLOOK

It is anticipated that in the foreseeable future, Cangold will rely on the equity markets to meet its financing needs. The level of exploration during the upcoming year will depend on the Company's ability to raise financing.

Management and the Board of Directors review the approved work plans and budgets for the various exploration projects at regular intervals throughout the year, and make revisions to the budgets for individual projects in response to exploration success (or the lack thereof) on such projects.

Management and the Board of Directors continuously review and examine proposals and projects for the Company and conduct their due diligence in respect of same.

TRANSACTIONS WITH RELATED PARTIES

Included in expenses are the following transactions with related parties totalling \$191,628:

- a) Paid or accrued consulting fees totalling \$51,946 to a company with a director in common.
- b) Paid or accrued office rent and administration costs totalling \$35,887 to a company with a director in common.
- c) Paid or accrued consulting fees totalling \$103,795 to officers of the Company.

As at June 30, 2010, \$174,247 (June 30, 2009 - \$36,027) was due to officers, to companies controlled by a directors of the Company and to a company with common directors.

RISKS AND UNCERTAINTIES

Exploration and development stage of the properties

The Company is in the exploration stage with all of its projects and substantial additional work will be required in order to determine if any economic deposits occur on these properties. Even in the event commercial quantities of minerals are discovered, these properties might not be brought into a state of commercial production. The search for valuable minerals as a business is extremely risky. Finding mineral deposits is dependent on a number of factors, not the least of which is the technical skill of exploration personnel involved.

The commercial viability of a mineral deposit, once discovered, is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of these factors are beyond the control of the entity conducting such mineral exploration. There can be no assurance that operations will be profitable in the future.

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Ability to continue as a going concern

The audited consolidated financial statements of the Company for the year ended June 30, 2010 were prepared in accordance with GAAP on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. During the years ended June 30, 2010 and 2009, the Company recorded losses of approximately \$572,000 and \$648,000, respectively, and used cash for operations of approximately \$615,000 and \$583,000, respectively. As at June 30, 2010, the Company had an accumulated deficit of approximately \$11,600,000 compared with \$11,028,000 at June 30, 2009. As at June 30, 2010, the Company had a working capital balance of \$77,865 compared with \$55,848 as of June 30, 2009. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern and to realize its assets and discharge its liabilities is dependent upon the existence of economically recoverable mineral reserves and the ability to raise adequate financing from lenders, shareholders and other investors to support such business activities. It is anticipated that the Company will rely on the equity markets in the upcoming fiscal year to meet its financing needs, including funding future exploration activity.

Given the current economic environment, there can be no assurance that such financing will be available to the Company on acceptable terms, or at all. Failure to continue as a going concern would require the Company's assets and liabilities to be presented on a liquidation basis, which would differ materially from the going concern basis.

CRITICAL ACCOUNTING ESTIMATES

Critical Accounting Estimates

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles and requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the assumptions used in determining the fair value of non-cash stock-based compensation and assessing mineral properties for impairment. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates. A summary of the Company's significant accounting policies is set out in Note 2 of the consolidated financial statements for the year ended June 30, 2010.

The accounting estimates believed to require the most difficult, subjective or complex judgments, and which are the most critical to our reporting of results of operations and financial position, are as follows:

Impairment of mineral properties

The Company reviews and evaluates its mineral properties for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated by the asset. Measurement of an impairment loss is based on the excess of carrying value over the estimated fair value of the asset.

At each reporting period and whenever events or circumstances indicate that an asset's fair value may not be at least equal to its carrying value, management of the Company reviews the net carrying value. These reviews involve consideration of the fair value of each property to determine whether a permanent impairment in value has occurred and whether any asset write-down is necessary. The Company considers metal prices, cost of production, resources, proven and probable reserves and salvage value of the property in its valuation.

Management's estimates are subject to risks and uncertainties of changes affecting the recoverability of the Company's investment in its mineral properties. Management's estimates of these factors are based on current conditions. Nonetheless, it is reasonably possible that in the near term, changes that could adversely

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affect management's estimate of net cash flows expected to be generated from its properties could occur which may necessitate a write-down for asset impairment.

The Company has determined that no events or changes in circumstances occurred in fiscal 2010 that would indicate that the carrying amounts of its mineral properties may not be recoverable.

Stock-based Compensation Expense

From time to time, the Company may grant share purchase options to directors, employees and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise and discount rates. Although not requiring any cash outlay by the Company, changes to any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies introduced during the fiscal year 2010 are described in detail in Note 3 of the audited Consolidated Financial Statements for June 30, 2010.

FUTURE ACCOUNTING PRONOUNCEMENTS

- (a) Business Combinations/Consolidated Financial Statements/Non-Controlling Interests:
The AcSB issued CICA sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which replaced sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Early adoption is permitted for these new standards. The Company does not expect the adoption of these sections to have a material impact on its consolidated financial statements.
- (b) Amendment to CICA 3855 – Financial Instruments – Recognition and Measurement:
The AcSB amended CICA 3855 to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. The amendment is applicable to interim and annual financial statements relating to years beginning on or after January 1, 2011. The Company does not expect the adoption of this amendment to have a material impact on its consolidated financial statements.
- (c) International Financial Reporting Standards (“IFRS”):
In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011 and restatement of the opening balance sheet as at July 1, 2010.

The Company is developing an IFRS conversion plan and has completed a preliminary assessment which prioritizes how each IFRS standard will impact the financial statements. The Company anticipates there will be changes in accounting policies and these changes may materially impact our financial statements but the impact cannot be reasonably estimated at this time. The Company does anticipate an increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather and process the required information.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities, and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these instruments. Due to their short-term nature, the fair values of these financial instruments approximate their carrying values, unless otherwise noted.

OFF-BALANCE SHEET ARRANGEMENTS

At the date of this report, the Company had no material off-balance sheet arrangements.

FORWARD-LOOKING STATEMENTS

Certain information set forth in this document includes forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including but not limited to: risks and uncertainties relating to the interpretation and assumptions used in calculating resource estimates; the execution and outcome of current or future exploration activities; information included or implied in the various independently produced and published technical reports; anticipated drilling and resource estimation plans; differences in actual recovery rates, grades, and tonnage from those expected; the inherent uncertainty of production and cost estimates, risks and uncertainties relating to timing and amount of estimated future production, capital expenditures and cash flows; risks relating to our ability to obtain adequate financing for our planned activities and to complete further exploration programs; foreign currency fluctuations; commodity price fluctuations; risks related to governmental regulations, including environmental regulations and other general market and industry conditions as well as those factors discussed in each management discussion and analysis, available on SEDAR at www.sedar.com.

Although Cangold has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Cangold's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Cangold will derive from them. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statements, even if new information becomes available, as a result of future events or for any other reason.

ADDITIONAL SOURCES OF INFORMATION

Additional information relating to Cangold can be found on the SEDAR website at www.sedar.com or on the Company's website at www.cangold.ca.