

BC FORM 51-901F

QUARTERLY AND YEAR END REPORT

SCHEDULE A – FINANCIAL STATEMENTS

CANGOLD LIMITED

for the three months ended September 30, 2003

Refer to the enclosed Financial Statements:

1. Balance Sheets as at September 30, 2003 and June 30, 2003.
2. Statements of Operations and Deficit for the three months ended September 30, 2003 and the three months ended September 30, 2002.
3. Statements of Cash Flows for the three months ended September 30, 2003 and the three months ended September 30, 2002.

CANGOLD LIMITED
BALANCE SHEETS
(Unaudited - Prepared by Management)

| | September 30, 2003 \$ | June 30, 2003 \$ |
|---|-----------------------------|------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 571,611 | 350,648 |
| Accounts receivable | 120,452 | 76,590 |
| Prepaid expenses | <u>110,019</u> | <u>89,363</u> |
| | 802,082 | 516,601 |
| Mineral properties | 1,354,249 | 1,146,820 |
| Capital assets | <u>15,068</u> | <u>16,069</u> |
| | <u>2,171,399</u> | <u>1,679,490</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 42,137 | 216,343 |
| Due to related parties | <u>41,161</u> | <u>31,141</u> |
| | <u>83,298</u> | <u>247,484</u> |
| Shareholders' equity | | |
| Capital stock | 3,785,432 | 3,764,682 |
| Subscriptions received in advance | 750,000 | - |
| Contributed surplus | 1,875 | 1,875 |
| Deficit | <u>(2,449,206)</u> | <u>(2,334,551)</u> |
| | <u>2,088,101</u> | <u>1,432,006</u> |
| | <u>2,171,399</u> | <u>1,679,490</u> |

APPROVED BY THE DIRECTORS

"Robert A. Archer" Director

"Kaare G. Foy" Director

CANGOLD LIMITED
STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited - Prepared by Management)

Three months ended September 30, 2003 and 2002

| | 2003 | 2002 |
|-------------------------------|--------------------|--------------------|
| | \$ | \$ |
| EXPENSES | | |
| Consulting | 20,800 | 30,445 |
| Depreciation | 1,001 | 527 |
| Directors fees | 8,000 | 8,000 |
| Exploration | - | 500 |
| Filing fees | 11,994 | 989 |
| Investor relations | 14,032 | 15,518 |
| Management fees | 18,000 | 9,000 |
| Office and miscellaneous | 7,389 | 6,799 |
| Printing | 910 | 2,580 |
| Professional fees | 10,714 | 16,731 |
| Rent | 8,943 | 6,252 |
| Telephone | 200 | 36 |
| Transfer agent fees | 2,265 | 1,240 |
| Travel | 7,375 | 8,923 |
| Foreign exchange loss | <u>32</u> | <u>432</u> |
| Loss before undernoted | (111,655) | (107,972) |
| Write-off of mineral property | <u>(3,000)</u> | <u>-</u> |
| Loss for the period | (114,655) | (107,972) |
| Deficit, beginning of period | <u>(2,334,551)</u> | <u>(1,589,431)</u> |
| Deficit, end of period | <u>(2,449,206)</u> | <u>(1,697,403)</u> |
| Loss per share | <u>(0.01)</u> | <u>(0.02)</u> |

CANGOLD LIMITED
STATEMENTS OF CASH FLOWS
(Unaudited - Prepared by Management)

Three months ended September 30, 2003 and 2002

| | 2003 \$ | 2002 \$ |
|--|------------------|-----------------|
| Cash flows from (used in) operating activities | | |
| Loss for the period | (114,655) | (107,972) |
| Items not involving cash: | | |
| Depreciation | 1,001 | 527 |
| Write-off of mineral property | 3,000 | - |
| Change in non-cash working capital items | | |
| Accounts receivable | (43,862) | 228 |
| Prepaid expenses | (20,656) | (71,285) |
| Accounts payable | (174,206) | 39,559 |
| Due to related parties | <u>10,020</u> | <u>82,065</u> |
| | <u>(339,358)</u> | <u>(56,878)</u> |
| Cash flows from (used in) investing activities | | |
| Mineral properties | <u>(202,679)</u> | <u>(59,070)</u> |
| | <u>(202,679)</u> | <u>(59,070)</u> |
| Cash flows from (used in) financing activities | | |
| Issuance of shares for cash, net of costs | 13,000 | 5,200 |
| Subscriptions received in advance | <u>750,000</u> | <u>80,000</u> |
| | <u>763,000</u> | <u>85,200</u> |
| Change in cash and cash equivalents | 220,963 | (30,748) |
| Cash and cash equivalents, beginning of period | <u>350,648</u> | <u>34,711</u> |
| Cash and cash equivalents, end of period | <u>571,611</u> | <u>3,963</u> |

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2003

1. BASIS OF PRESENTATION

The interim period financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the previous year.

The preparation of financial data is based on accounting principles and practices consistent with those in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance Canadian generally accepted accounting principles has been condensed or omitted.

These interim period financial statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. NATURE AND CONTINUANCE OF OPERATIONS

Cangold Limited (formerly First Au Strategies Corp.) ("the Company") was continued under the Business Corporations Act (Yukon) on March 17, 1997. The Company changed its name to Cangold Limited on June 4, 2003.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete its exploration and development and upon future profitable production or proceeds from the disposition of the properties.

These interim period financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Continued operations of the Company are dependent on the ability of the Company's management to receive continued financial support and complete equity financing, or generate profitable operations in the future.

| | September 30, 2003 | June 30, 2003 |
|------------------------------|-----------------------|------------------|
| Deficit | \$ (2,449,206) | \$ (2,334,551) |
| Working capital (deficiency) | \$ 718,784 | \$ 269,117 |

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2003

3. MINERAL PROPERTIES

| | Birch Lake | Casummit Lake (a) | Leg Lake (b) | Thorn (c) | Total | |
|-------------------------------|---------------|-------------------------|--------------------|--------------|-----------------|-----------------|
| | | | | | Sep 30, 2003 | Jun 30, 2003 |
| Balance beginning of period | \$37,689 | \$701,844 | \$ - | \$407,287 | \$1,146,820 | \$208,046 |
| Option payments: | | | | | | |
| Cash | - | 20,000 | 3,000 | - | 23,000 | 39,000 |
| Common shares | - | 7,750 | - | - | 7,750 | 27,550 |
| Staking | - | - | - | - | - | - |
| Analysis | - | 5,357 | - | 8,570 | 13,927 | 13,317 |
| Drilling | - | 10,867 | - | 30,976 | 41,843 | 395,833 |
| Field costs | - | 5,354 | - | 55,537 | 60,891 | 272,564 |
| Project admin | 507 | 5,634 | - | 16,417 | 22,558 | 125,780 |
| Geology | 4,762 | 1,530 | - | 38,099 | 44,391 | 112,485 |
| Geophysics | - | - | - | - | - | 71,371 |
| Linecutting | - | - | - | - | - | 22,837 |
| | 5,269 | 56,492 | 3,000 | 149,599 | 214,360 | 1,080,737 |
| Written-off during the period | - | - | (3,000) | - | (3,000) | (109,131) |
| Costs recovered | - | (3,931) | - | - | (3,931) | (32,832) |
| | 5,269 | 52,561 | - | 149,599 | 207,429 | 938,774 |
| Balance, end of period | \$42,958 | \$754,405 | \$ - | \$556,886 | \$1,354,249 | \$1,146,820 |

a) Casummit Lake Property:

Effective October 31, 2001, the Company entered into an option agreement which grants the Company the exclusive working right and option, for a period of two years, to purchase a 51% undivided interest in the Casummit Lake mining claims situated in the Red Lake Mining Division, Northwestern Ontario. In consideration for the working right and purchase option the Company paid \$10,000 and issued 100,000 common shares. In order to maintain in force the working right and purchase option, the Company must make payments and issue shares as follows:

- i) On or before October 31, 2002, the Company must pay \$10,000 and issue 50,000 common shares and incur expenditures of at least \$250,000 in respect of the mining claims;
- ii) On or before October 31, 2003, the Company must pay \$20,000 and issue 50,000 common shares and incur cumulative expenditures of at least \$650,000 in respect of the mining claims.

The Company may terminate the option agreement at any time or let it lapse by failing to pay any or all of the payments and make any or all of the share issuances referred to above. Upon exercising the option, the Company will then participate in a joint venture for the further exploration and development of the mining claims, with its initial participating interest being 51%.

During the year ended June 30, 2003, the Company made a cash payment of \$10,000, issued 50,000 common shares, and incurred in excess of \$250,000 in respect of the mining claims, in accordance with i) above. During the period ended September 30, 2003, the Company exercised its purchase option for a 51% interest in the Casummit Lake Property by exceeding the required expenditures of \$650,000, making the final payment of \$20,000 and issuing 50,000 common shares in accordance with ii) above. In doing so, the Company exercised its option to acquire the majority interest in the property. The Company is now the operator of the newly formed Joint Venture.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2003

b) Leg Lake Property:

Effective November 22, 2001, the Company entered into an option agreement which grants the Company the exclusive working right and option, for a period of four years, to purchase a 100% undivided interest in the mining claims comprising the Leg Lake property situated in the Red Lake Mining Division, Northwestern Ontario. In consideration for the working right and purchase option the Company paid \$5,000 and issued 25,000 common shares. In order to maintain in force the working right and purchase option, the Company must make payments and issue shares as follows:

- i) On or before November 22, 2002, the Company must pay \$8,000 (subsequently amended to \$4,000, amendment approved by the Exchange) and issue 25,000 common shares (subsequently amended to 40,000, amended approved by the Exchange);
- ii) On or before November 22, 2003, the Company must pay \$12,000 and issue 25,000 common shares;
- iii) On or before November 22, 2004, the Company must pay \$15,000 and issue 25,000 common shares;
- iv) On or before November 22, 2005, the Company may exercise the purchase option. Should the Company elect to proceed it must pay an additional \$45,000.

During the year ended June 30, 2003, the Company made a cash payment of \$4,000 and issued 40,000 common shares in accordance with i) above. As at June 30, 2003, it was management's intention to terminate the option agreement and as such the costs incurred on the Property to June 30, 2003 were written off. The Company officially terminated the option agreement on September 5, 2003 and paid \$3,000 as consideration for this termination. The \$3,000 was then written off.

c) Thorn Property:

Effective March 1, 2002, the Company entered into an option agreement which grants the Company the exclusive working right and option, for a period of three years, to purchase a 51% undivided interest in the Thorn Property situated in the Atlin Mining Division, Northwestern British Columbia. The Property is subject to a 3% Net Smelter Return royalty, of which 2% can be purchased from the underlying vendors for \$3,000,000. In consideration for the working right and purchase option the Company must pay \$15,000 and issue 100,000 common shares. In order to maintain in force the working right and purchase option, the Company must make payments and issue shares as follows:

- i) On or before March 1, 2003, the Company must pay \$25,000 and issue 50,000 common shares and incur expenditures of at least \$300,000 in respect of the mining claims;
- ii) On or before March 1, 2004, the Company must pay \$50,000 and issue 50,000 common shares and incur cumulative expenditures of at least \$700,000 in respect of the mining claims;
- iii) On or before March 1, 2005, the Company must pay \$100,000 and issue 50,000 common shares and incur cumulative expenditures of at \$1,200,000 in respect of the mining claims.

The Company may terminate the option agreement at any time or let it lapse by failing to pay any or all of the payments and make any or all of the share issuances referred to above. If the Company wishes to exercise the option, the optionor must first exercise its underlying option and the Company will then participate in a joint venture for the further exploration and development of the mining claims, with its initial participating interest being 51%.

During the year ended June 30, 2003, the Company made a cash payment of \$25,000, issued 50,000 common shares, and incurred in excess of \$300,000 in respect of the mining claims, in accordance with i) above.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2003

4. CAPITAL ASSETS

| September 30, 2003 | Cost | Accumulated Amortization | Net Book Value |
|------------------------|------------------|-----------------------------|-------------------|
| Computer equipment | \$ 7,803 | \$ 5,235 | \$ 2,568 |
| Furniture and fixtures | 31,720 | 23,958 | 7,762 |
| Drilling equipment | <u>6,026</u> | <u>1,288</u> | <u>4,738</u> |
| | <u>\$ 45,549</u> | <u>\$ 30,481</u> | <u>\$ 15,068</u> |

| June 30, 2003 | Cost | Accumulated Amortization | Net Book Value |
|------------------------|------------------|-----------------------------|-------------------|
| Computer equipment | \$ 7,803 | \$ 5,027 | \$ 2,776 |
| Furniture and fixtures | 31,720 | 23,549 | 8,171 |
| Drilling equipment | <u>6,026</u> | <u>904</u> | <u>5,122</u> |
| | <u>\$ 45,549</u> | <u>\$ 29,480</u> | <u>\$ 16,069</u> |

5. CAPITAL STOCK

Authorized:

Unlimited number of common shares without par value

Issued:

| | Number of Shares | Amount |
|---|---------------------|---------------------|
| Balance as at June 30, 2002 | 6,986,466 | \$ 1,673,691 |
| Issued on exercise of stock options | 40,000 | 5,200 |
| Issued on short form offering, net of issue costs | 2,828,500 | 429,925 |
| Issued on private placement, net of issue costs | 16,506,600 | 1,628,316 |
| Issued for mineral properties | <u>165,000</u> | <u>27,550</u> |
| Balance as at June 30, 2003 | 26,526,566 | 3,764,682 |
| Issued for mineral properties | 50,000 | 7,750 |
| Issued on exercise of stock options | <u>100,000</u> | <u>13,000</u> |
| Balance as at September 30, 2003 | <u>26,676,566</u> | <u>\$ 3,785,432</u> |

Included in issued capital stock are 337,177 (June 30, 2003 - 357,010) common shares held in escrow. The Company filed an Amendment to the Escrow Agreement dated December 31, 2001 whereby the escrow shares will be released over a 72 month time period. During the year ended June 30, 2003, 39,666 escrow shares were released and during the period ended September 30, 2003 an additional 19,833 escrow shares were released.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
 Three months ended September 30, 2003

6. OPTIONS AND WARRANTS

The Company, subject to acceptance by the TSX Venture Exchange (the "Exchange"), has reserved for issuance up to 10% of the issued common shares for incentive stock options to be granted to directors, officers, employees, consultants and other eligible persons. The exercise price of options is determined by the board of directors at the time of grant and may not be less than the discounted market price of the common shares at the date of grant, as determined under the policies of the Exchange. The options have expiry dates of no longer than 5 years.

As at September 30, 2003, the Company has incentive stock options outstanding as follows:

| Number Of Shares | Exercise Price | Expiry Date |
|------------------|----------------|--------------------|
| 200,000 | \$0.11 | August 24, 2005 |
| 50,000 | \$0.13 | November 3, 2006 |
| 340,000 | \$0.13 | December 1, 2006 |
| 430,000 | \$0.16 | October 29, 2007 |
| 1,330,000 | \$0.15 | April 22, 2008 |
| 100,000 | \$0.11 | September 21, 2008 |

As at September 30, 2003, the Company has agents' options outstanding as follows:

| Number of Shares | Exercise Price | Expiry Date |
|------------------|----------------|------------------|
| 304,275 | \$0.25 | October 28, 2003 |
| | \$0.30 | October 28, 2004 |

As at September 30, 2003, the Company has warrants outstanding as follows:

| Type | Number of Warrants | Exercise Price | Expiry Date |
|-------------------|--------------------|----------------|-------------------|
| Series "D" | 330,000 | \$0.30 | March 29, 2004 |
| Series "E" | 3,554,500 (1) | \$0.25 | October 28, 2003 |
| | | \$0.30 | October 28, 2004 |
| Series "F" | 500,000 | \$0.25 | February 2, 2004 |
| | | \$0.30 | February 2, 2005 |
| Series "G" | 11,627,000 | \$0.15 | March 19, 2004 |
| | | \$0.20 | March 19, 2005 |
| Finders' Warrants | 777,000 | \$0.15 | March 19, 2004 |
| | | \$0.20 | March 19, 2005 |
| Series "H" | 819,000 | \$0.20 | December 13, 2004 |
| Finders' Warrants | 163,800 | \$0.20 | December 13, 2004 |

(1) Two warrants for one common share.

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees totalling \$13,500 to a company with a director in common.
- b) Paid or accrued directors' fees totalling \$8,000 to directors of the Company.
- c) Paid or accrued management fees totalling \$18,000 to a company with a director in common.
- d) Paid or accrued office rent and administration costs totalling \$18,365 to a company with a director in common.
- e) Paid or accrued geological consulting costs totalling \$9,250 to a company with a director in common.

Included in due to related parties is \$9,672 due to companies with directors in common and \$31,489 due to directors of the Company.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

For the three months ended September 30, 2003, significant non-cash transactions included:

- a) The Company issued 50,000 common shares for a deemed value of \$7,750 pursuant to the terms of option agreements on the mineral properties.

There were no significant non-cash transactions for the three months ended September 30, 2002.

9. LOSS PER SHARE

Loss per share amounts have been calculated and presented in accordance with the new recommendations of the Canadian Institute of Chartered Accountants which requires the use of the treasury stock method of calculating diluted loss per share and requires contingently issuable or returnable shares to be excluded from the calculation of weighted average number of shares outstanding until all conditions necessary for their issuance or release from escrow have been met. Basic loss per share continues to be calculated using the weighted average number of shares outstanding during the reporting period.

The new standard has been applied on a retroactive basis and has no impact on the amounts presented. The diluted loss per share is not disclosed as it is anti-dilutive in effect.