

BC FORM 51-901F

QUARTERLY AND YEAR END REPORT

SCHEDULE A – FINANCIAL STATEMENTS

CANGOLD LIMITED

for the six months ended December 31, 2003

Refer to the enclosed Financial Statements:

1. Balance Sheets as at December 31, 2003 and June 30, 2003.
2. Statements of Operations and Deficit for the three-month period from October 1, 2003 to December 31, 2003, the six months ended December 31, 2003, the three-month period from October 1, 2002 to December 31, 2002 and the six months ended December 31, 2002.
3. Statements of Cash Flows for the three-month period from October 1, 2003 to December 31, 2003, the six months ended December 31, 2003, the three-month period from October 1, 2002 to December 31, 2002 and the six months ended December 31, 2002.

CANGOLD LIMITED
BALANCE SHEETS
(Unaudited - Prepared by Management)

	December 31, 2003 \$	June 30, 2003 \$
ASSETS		
Current assets		
Cash and cash equivalents	1,058,729	350,648
Accounts receivable	148,630	76,590
Prepaid expenses	<u>24,525</u>	<u>89,363</u>
	1,231,884	516,601
Mineral properties	1,725,842	1,146,820
Capital assets	<u>6,713</u>	<u>16,069</u>
	<u>2,964,439</u>	<u>1,679,490</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	71,263	216,343
Due to related parties	<u>3,615</u>	<u>31,141</u>
	<u>74,878</u>	<u>247,484</u>
Shareholders' equity		
Capital stock	5,513,743	3,764,682
Contributed surplus	1,875	1,875
Deficit	<u>(2,626,057)</u>	<u>(2,334,551)</u>
	<u>2,889,561</u>	<u>1,432,006</u>
	<u>2,964,439</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 month period from Oct 1, 2003 to Dec 31, 2003 \$	Six months ended Dec 31, 2003 \$	Three month period from Oct. 1, 2002 to Dec 31, 2002 \$	Six months Ended Dec 31, 2002 \$
EXPENSES				
Consulting	80,160	100,960	46,269	76,714
Depreciation	592	1,593	526	1,053
Directors fees	8,000	16,000	8,000	16,000
Exploration	-	-	-	500
Filing fees	11,332	23,326	6,070	7,059
Foreign exchange loss	(6)	26	1,919	2,351
Investor relations	4,923	18,955	11,630	27,148
Management fees	18,000	36,000	18,000	27,000
Office and miscellaneous	9,750	17,139	13,343	20,142
Printing	4,685	5,595	4,962	7,542
Professional fees	18,707	29,421	3,066	19,797
Rent	6,365	15,308	6,252	12,504
Telephone	-	200	52	88
Transfer agent fees	6,143	8,408	2,814	4,054
Travel	<u>3,160</u>	<u>10,535</u>	<u>4,285</u>	<u>13,208</u>
Loss before undernoted	(171,811)	(283,466)	(127,188)	(235,160)
Other expense				
Loss on disposal of capital asset	(5,040)	(5,040)	-	-
Write-off of mineral property	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>
	<u>(5,040)</u>	<u>(8,040)</u>	<u>-</u>	<u>-</u>
Loss for the period	(176,851)	(291,506)	(127,188)	(235,160)
Deficit, beginning of period	<u>(2,449,206)</u>	<u>(2,334,551)</u>	<u>(1,697,403)</u>	<u>(1,589,431)</u>
Deficit, end of period	<u>(2,626,057)</u>	<u>(2,626,057)</u>	<u>(1,824,591)</u>	<u>(1,824,591)</u>
Loss per share		<u>(0.01)</u>		<u>(0.03)</u>

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

	Three month period from Oct 1, 2003 to Dec 31, 2003 \$	Six months ended Dec 31, 2003 \$	Three month period from Oct. 1, 2002 to Dec 31, 2002 \$	Six months Ended Dec 31, 2002 \$
Cash flows from (used in) operating activities				
Loss for the period	(176,851)	(291,506)	(127,188)	(235,160)
Items not involving cash:				
Depreciation	592	1,593	526	1,053
Loss on disposal of capital asset	5,040	5,040	-	-
Write-off of mineral property	-	3,000	-	-
Change in non-cash working capital items				
Accounts receivable	(28,177)	(72,039)	(33,808)	(33,580)
Prepaid expenses	85,494	64,838	94,509	23,224
Accounts payable	29,126	(145,080)	60,992	100,551
Due to related parties	<u>(37,546)</u>	<u>(27,526)</u>	<u>18,127</u>	<u>100,192</u>
	<u>(122,322)</u>	<u>(461,680)</u>	<u>13,158</u>	<u>(43,720)</u>
Cash flows from (used in) investing activities				
Mineral properties	(371,593)	(574,272)	(445,091)	(504,161)
Proceeds on disposal of capital asset	<u>2,722</u>	<u>2,722</u>	<u>-</u>	<u>-</u>
	<u>(368,871)</u>	<u>(571,550)</u>	<u>(445,091)</u>	<u>(504,161)</u>
Cash flows from (used in) financing activities				
Issuance of shares for cash, net of costs	1,728,311	1,741,311	440,425	445,625
Subscriptions received in advance	<u>(750,000)</u>	<u>-</u>	<u>(12,400)</u>	<u>67,600</u>
	<u>978,311</u>	<u>1,741,311</u>	<u>428,025</u>	<u>513,225</u>
Change in cash and cash equivalents	487,118	708,081	(3,908)	(34,656)
Cash and cash equivalents, beginning of period	<u>571,611</u>	<u>350,648</u>	<u>3,963</u>	<u>34,711</u>
Cash and cash equivalents, end of period	<u>1,058,729</u>	<u>1,058,729</u>	<u>55</u>	<u>55</u>

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 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.

	December 31, 2003	June 30, 2003
Deficit	\$ (2,626,057)	\$ (2,334,551)
Working capital (deficiency)	\$ 1,157,006	\$ 269,117

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2003

3. MINERAL PROPERTIES

	Birch Lake	Casummit Lake (a)	Leg Lake (b)	Thorn (c)	Total	
					Dec 31, 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	3,363	8,426	-	21,887	33,676	13,317
Drilling	-	59,921	-	91,093	151,014	395,833
Field costs	8,566	39,811	-	153,676	202,053	272,564
Project admin	1,957	17,458	-	62,473	81,888	125,780
Geology	17,088	14,906	-	69,870	101,864	112,485
Geophysics	-	-	-	-	-	71,371
Linecutting	-	-	-	-	-	22,837
	30,974	168,272	3,000	398,999	601,245	1,080,737
Written-off during the period	-	-	(3,000)	-	(3,000)	(109,131)
Costs recovered	-	(19,223)	-	-	(19,223)	(32,832)
	30,974	149,049	-	398,999	579,022	938,774
Balance, end of period	\$68,663	\$850,893	\$ -	\$806,286	\$1,725,842	\$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
Six months ended December 31, 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
Six months ended December 31, 2003

4. CAPITAL ASSETS

December 31, 2003	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,803	\$ 5,444	\$ 2,359
Furniture and fixtures	-	-	-
Drilling equipment	<u>6,026</u>	<u>1,672</u>	<u>4,354</u>
	<u>\$ 13,829</u>	<u>\$ 7,116</u>	<u>\$ 6,713</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 placements, 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	100,000	13,000
Issued on exercise of "G" warrants	3,382,000	507,300
Issued on exercise of finders' warrants	355,000	53,250
Issued on private placements, net of issue costs	<u>9,303,750</u>	<u>1,167,761</u>
Balance as at December 31, 2003	<u>39,716,316</u>	<u>\$ 5,513,743</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 six-month period ended December 31, 2003 an additional 19,833 escrow shares were released.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 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 December 31, 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 December 31, 2003, the Company has agents' options outstanding as follows:

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

As at December 31, 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)	\$0.30	October 28, 2004
Series "F"	500,000	\$0.25	February 2, 2004
		\$0.30	February 2, 2005
Series "G"	8,245,000	\$0.15	March 19, 2004
		\$0.20	March 19, 2005
Finders' Warrants	422,000	\$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
Series "I"	7,650,000	\$0.15	April 5, 2005
Finders' Warrants	475,000	\$0.15	April 5, 2005
Series "J"	826,875	\$0.38	December 23, 2004
Finders' Warrants	165,375	\$0.38	December 23, 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 \$26,250 to a company with a director in common.
- b) Paid or accrued directors' fees totalling \$16,000 to directors of the Company.
- c) Paid or accrued management fees totalling \$36,000 to a company with a director in common.
- d) Paid or accrued office rent and administration costs totalling \$37,731 to a company with a director in common.
- e) Paid or accrued geological consulting costs totalling \$15,500 to a company with a director in common.

Included in due to related parties is \$405 due to companies with directors in common and \$3,210 due to directors of the Company.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

For the six months ended December 31, 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.

For the six months ended December 31, 2002, significant non-cash transactions included:

- a) The Company issued 50,000 common shares for a deemed value of \$10,500 pursuant to the terms of option agreements on the mineral properties.

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.