

CANGOLD LIMITED
BALANCE SHEETS
(Unaudited - Prepared by Management)

	December 31, 2004 \$	June 30, 2004 \$
ASSETS		
Current assets		
Cash and cash equivalents	1,049,350	552,336
Accounts receivable	197,054	231,459
Prepaid expenses and advances	<u>3,228</u>	<u>212,645</u>
	1,249,632	996,440
Investment in marketable securities	62,000	-
Mineral properties	3,112,071	2,638,812
Capital assets	<u>4,699</u>	<u>5,529</u>
	<u>4,428,402</u>	<u>3,640,781</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	278,832	92,086
Due to related parties	<u>3,814</u>	<u>29,375</u>
	<u>282,646</u>	<u>121,461</u>
Shareholders' equity		
Capital stock	7,407,448	6,338,723
Contributed surplus	460,688	225,114
Deficit	<u>(3,722,380)</u>	<u>(3,044,517)</u>
	<u>4,145,756</u>	<u>3,519,320</u>
	<u>4,428,402</u>	<u>3,640,781</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, 2004 to Dec 31, 2004 \$	Six months ended Dec 31, 2004 \$	Three month period from Oct 1, 2003 to Dec 31, 2003 \$	Six months ended Dec 31, 2003 \$
EXPENSES				
Amortization	414	829	592	1,593
Consulting	20,281	86,170	80,160	100,960
Directors fees	15,000	30,000	8,000	16,000
Exploration	-	-	-	-
Filing fees	5,938	13,523	11,332	23,326
Foreign exchange loss	10	3	(6)	26
Investor relations	13,388	36,261	4,923	18,955
Management fees	20,000	38,000	18,000	36,000
Office and miscellaneous	9,000	15,436	9,750	17,139
Printing	4,425	4,920	4,685	5,595
Professional fees	58,398	72,592	18,707	29,421
Rent	6,366	12,731	6,365	15,308
Telephone	33	116	-	200
Transfer agent fees	2,402	4,186	6,143	8,408
Travel	<u>2,161</u>	<u>6,035</u>	<u>3,160</u>	<u>10,535</u>
Loss before undernoted	(157,816)	(320,802)	(171,811)	(283,466)
Other expense				
Loss on disposal of capital assets	-	-	(5,040)	(5,040)
Write-off of mineral property	<u>(183,092)</u>	<u>(183,092)</u>	<u>-</u>	<u>(3,000)</u>
	<u>(183,092)</u>	<u>(183,092)</u>	<u>(5,040)</u>	<u>(8,040)</u>
Loss for the period	(340,908)	(503,894)	(176,851)	(291,506)
Deficit, beginning of period:				
As previously stated	(3,381,472)	(3,044,517)	(2,449,206)	(2,334,551)
Adjustment for retroactive adoption of amended accounting standard	<u>-</u>	<u>(173,969)</u>	<u>-</u>	<u>-</u>
As restated	<u>(3,381,472)</u>	<u>(3,218,486)</u>	<u>(2,449,206)</u>	<u>(2,334,551)</u>
Deficit, end of period	<u>(3,722,380)</u>	<u>(3,722,380)</u>	<u>(2,626,057)</u>	<u>(2,626,057)</u>
Loss per share		<u>(0.01)</u>		<u>(0.01)</u>

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

	Three month period from Oct 1, 2004 to Dec 31, 2004 \$	Six months ended Dec 31, 2004 \$	Three month period from Oct. 1, 2003 to Dec 31, 2003 \$	Six months Ended Dec 31, 2003 \$
Cash flows from (used in) operating activities				
Loss for the period	(340,908)	(503,894)	(176,851)	(291,506)
Items not involving cash:				
Amortization	414	829	592	1,593
Non-employee stock-based compensation	121	29,830	-	-
Loss on disposal of capital asset	-	-	5,040	5,040
Write-off of mineral property	183,092	183,092	-	3,000
Change in non-cash working capital items				
Accounts receivable	50,402	34,405	(28,177)	(72,039)
Prepaid expenses	606,353	209,417	85,494	64,838
Accounts payable	<u>(62,764)</u>	<u>186,747</u>	<u>29,126</u>	<u>(145,080)</u>
	<u>436,710</u>	<u>140,426</u>	<u>(84,776)</u>	<u>(434,154)</u>
Cash flows from (used in) investing activities				
Marketable securities	-	(62,000)		
Mineral properties	(356,819)	(656,351)	(371,593)	(574,272)
Proceeds on disposal of capital asset	<u>-</u>	<u>-</u>	<u>2,722</u>	<u>2,722</u>
	<u>(356,819)</u>	<u>(718,351)</u>	<u>(368,871)</u>	<u>(571,550)</u>
Cash flows from (used in) financing activities				
Issuance of shares for cash, net of costs	-	1,100,500	1,728,311	1,741,311
Subscriptions received in advance	-	-	(750,000)	-
Due to related parties	<u>(20,528)</u>	<u>(25,561)</u>	<u>(37,546)</u>	<u>(27,526)</u>
	<u>(20,528)</u>	<u>1,074,939</u>	<u>940,765</u>	<u>1,713,785</u>
Change in cash and cash equivalents	59,363	497,014	487,118	708,081
Cash and cash equivalents, beginning of period	<u>989,987</u>	<u>552,336</u>	<u>571,611</u>	<u>350,648</u>
Cash and cash equivalents, end of period	<u>1,049,350</u>	<u>1,049,350</u>	<u>1,058,729</u>	<u>1,058,729</u>

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2004

1. BASIS OF PRESENTATION

Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted in these interim period financial statements and therefore should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the previous year. In the opinion of the Company, these interim period financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

These interim period financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent annual financial statements, except for the adoption of amendments to the accounting standard relating to employee stock-based compensation as described in note 9.

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 and then continued into British Columbia from the jurisdiction of the Yukon, under the Business Corporations Act on December 22, 2004.. 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 for 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, 2004	June 30, 2004
Deficit	\$ (3,722,380)	\$ (3,044,517)
Working capital	\$ 966,986	\$ 874,979

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2004

3. MINERAL PROPERTIES

	Birch Lake	Casummit Lake	Thorn	W.A.L.P.	Total	
	(a)	(b)	(c)	(d)	Dec 31, 2004	Jun 30, 2004
Balance beginning of period	\$180,875	\$1,179,911	\$1,089,934	\$188,092	\$2,638,812	\$1,146,820
Option payments:						
Cash	-	-	100,000	(5,000)	95,000	78,000
Common shares	-	-	-	-	-	28,250
Staking	-	-	-	-	-	-
Analysis	-	2,004	17,219	-	19,223	65,864
Drilling	-	(2,075)	97,846	-	95,771	389,232
Field costs	-	(13,349)	341,340	-	327,991	416,973
Project admin	1,605	6,471	76,144	-	84,220	180,896
Geology	90	6,263	102,289	-	108,642	202,335
Geophysics	-	236	28,770	-	29,006	103,130
Linecutting	-	-	10,863	-	10,863	38,864
	1,695	(450)	774,471	(5,000)	770,716	1,503,544
Costs recovered	-	(2,896)	(39,469)	-	(42,365)	(8,552)
Option payments received	(72,000)	-	-	-	(72,000)	-
Written-off during the period	-	-	-	(183,092)	(183,092)	(3,000)
	(70,305)	(3,346)	735,002	(188,092)	473,259	1,491,992
Balance, end of period	\$110,570	\$1,176,565	\$1,824,936	\$ -	\$3,112,071	\$2,638,812

a) Birch Lake Property:

During the year ended June 30, 2002, the Company acquired, by staking, 240 claim units comprising the Birch Lake Property situated in the Red Lake Mining Division, Northwestern Ontario. During the year ended June 30, 2004, the Company incurred in excess of \$143,000 on exploration and development of the property.

During the period ended September 30, 2004, the Company entered into an option agreement which grants Trade Winds Ventures Inc. ("Trade Winds") the exclusive working right and option, for a period of three years, to purchase up to an undivided 70% interest, in the Birch Lake Property. In consideration for the working right and purchase option the Company received from Trade Winds \$10,000 cash and 50,000 common shares upon acceptance of the agreement by the TSX Venture Exchange. In order to maintain in force the working right and purchase option to earn a 60% interest, Trade Winds must issue to the Company a further 25,000 shares on each of the first and second anniversary dates and incur expenditures in respect of the mining claims of \$1 million over four years. The Company will retain a 1% Net Smelter Return. Trade Winds may then elect to acquire a further 10% interest by incurring an additional \$600,000 in expenditures in respect of the mining claims.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2004

b) Casummit Lake Property:

Effective October 31, 2001, the Company entered into an option agreement which granted 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 was to make payments and issue shares as follows:

- i) On or before October 31, 2002, the Company was to 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 was to 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 option agreement provided for the Company to terminate the agreement at any time or let it lapse by failing to pay any or all of the payments and/or 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 year ended June 30, 2004, 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.

c) Thorn Property:

Effective March 1, 2002, the Company entered into an option agreement which granted the Company the exclusive working right and option, for a period of three years, to purchase a 51% undivided interest in the Check-Mate, Stuart and Thorn claims (the "Thorn Property") situated in the Atlin Mining Division, Northwestern British Columbia. 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 was to make payments and issue shares as follows:

- i) On or before March 1, 2003, the Company was to 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 was to 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 was to give notice in writing of its intent to exercise the option. In order to make such an election, the Company must have incurred an additional \$500,000 in mining expenditures in respect of the mining claims for total expenditures of \$1,200,000 and pay an additional \$100,000 and issue an additional 50,000 common shares.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2004

The option agreement provided for the Company to terminate the agreement at any time or let it lapse by failing to pay any or all of the payments and/or make any or all of the share issuances referred to above. The interest in the Check-Mate claim is subject to a 2% Net Smelter Return Royalty and the interest in the Stuart claims is subject to a 3.5% Net Smelter Royalty Return. For the Company 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. During the year ended June 30, 2004, the Company made a cash payment of \$50,000 and issued 50,000 common shares, and at June 30, 2004 had cumulatively incurred over \$948,000 in respect of the mining claims, in accordance with ii) above and issued 50,000 common shares in accordance with iii) above.

On September 24, 2004, the Company complied with the remaining terms of the option agreement and exercised its option to acquire the majority interest in the property. The Company is now the operator of the newly formed Joint Venture.

d) West Abitibi Lake Property:

Effective January 30, 2004, the Company entered into an option agreement which granted the Company the exclusive working right and option, for a period of three years, to purchase a 50% undivided interest in the mining claims comprising the West Abitibi Lake property situated in the Larder Lake Mining Division, Northeastern Ontario. In consideration for the working right and purchase option the Company was to pay \$5,000 and issue 25,000 common shares. In order to maintain in force the working right and purchase option, the Company was to make payments and issue shares as follows:

- i) On or before January 30, 2005, the Company must pay \$10,000 and issue 75,000 common shares and incur expenditures of at least \$150,000 in respect of the mining claims;
- ii) On or before January 30, 2006, the Company must pay \$10,000 and issue 50,000 common shares and incur additional expenditures of at least \$100,000 in respect of the mining claims;
- iii) On or before January 30, 2007, the Company must issue 50,000 common shares and incur additional expenditures of at least \$150,000 in respect of the mining claims for cumulative expenditures of \$400,000.

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/or make any of all of the share issuances referred to above. Upon exercising the option, the Company would then have participated in a joint venture for the further exploration and development of the mining claims, with its initial participating interest being 50%.

As at December 31, 2004, it was management's intention to terminate the option agreement and as such the \$5,000 the Company had accrued for its working right and option was reversed and the costs incurred on the property to December 31, 2004 were written off. The option agreement was officially terminated on February 11, 2005.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2004

4. CAPITAL ASSETS

December 31, 2004	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,803	\$ 6,151	\$ 1,652
Field equipment	<u>6,026</u>	<u>2,979</u>	<u>3,047</u>
	<u>\$ 13,829</u>	<u>\$ 9,130</u>	<u>\$ 4,699</u>

June 30, 2004	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,803	\$ 5,860	\$ 1,943
Field equipment	<u>6,026</u>	<u>2,440</u>	<u>3,586</u>
	<u>\$ 13,829</u>	<u>\$ 8,300</u>	<u>\$ 5,529</u>

5. CAPITAL STOCK

Authorized:

Unlimited number of common shares without par value

Issued:

	Number of Shares	Amount
Balance as at June 30, 2003	26,526,566	\$3,575,676
Issued for mineral properties	150,000	28,250
Issued on exercise of stock options	100,000	13,000
Issued on exercise of "F" warrants	500,000	125,000
Issued on exercise of "G" warrants	6,887,000	1,033,050
Issued on exercise of finders' warrants	547,000	82,050
Issued on exercise of "I" warrants	1,850,000	277,500
Issued on private placements, net of costs	9,303,750	1,167,761
Issued warrants for financing services	-	(59,501)
Reallocation from contributed surplus on exercise of warrants	-	<u>95,937</u>
Balance as at June 30, 2004	45,864,316	\$6,338,723
Issued on private placement, net of costs	6,500,000	1,100,500
Issued warrants for financing services	-	<u>(31,775)</u>
Balance as at December 31, 2004	<u>52,364,316</u>	<u>\$ 7,407,448</u>

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2004

Included in issued capital stock are 277,676 (June 30, 2004 - 317,344) 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, 2004, 39,666 escrow shares were released and during the six-month period ended December 31, 2004 39,668 escrow shares were released.

6. OPTIONS AND WARRANTS

The Company, subject to regulatory approval, has reserved for issuance up to 10% of the issued common shares for incentive stock options to be granted to directors, officers, employees and other qualified persons. Stock options are granted at exercise prices determined by reference to the market. 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 value of the shares at the date of grant and have expiry dates of no longer than 5 years.

As at December 31, 2004, the Company has incentive stock options outstanding as follows:

Number Of Shares	Exercise Price	Expiry Date
200,000	\$0.11	August 24, 2005
200,000	\$0.28	December 31, 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
1,125,000	\$0.30	January 14, 2009
200,000	\$0.16	September 27, 2009

As at December 31, 2004, the Company has warrants outstanding as follows:

Type	Number of Warrants	Exercise Price	Expiry Date
Series "G"	4,740,000	\$0.20	March 19, 2005
Finders' Warrants	230,000	\$0.20	March 19, 2005
Series "I"	5,800,000	\$0.15	April 5, 2005
Finders' Warrants	475,000	\$0.15	April 5, 2005
Series "K"	750,000	\$0.22	August 27, 2005
Broker Warrants	520,000	\$0.20	August 27, 2005

(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 \$24,320 to a company with a director in common and \$2,520 to an officer of the Company.
- b) Paid or accrued directors' fees totalling \$30,000 to directors of the Company.
- c) Paid or accrued management fees totalling \$38,000 to a company with a director in common.
- d) Paid or accrued office rent and administration costs totalling \$21,731 to a company with a director in common and \$15,000 to an officer of the Company.
- e) Paid or accrued geological consulting costs totalling \$8,285 to an officer of the Company.

Included in due to related parties is \$3,129 due to companies with directors in common and \$685 due to an officer of the Company.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

For the six months ended December 31, 2004, significant non-cash transactions included:

- a) A non-cash financing cost of \$31,775, representing the fair value of the broker warrants issued pursuant to the private placement completed on August 27, 2004.
- b) Non-employee stock-based compensation of \$29,830.

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.

9. STOCK-BASED COMPENSATION

The Company grants incentive stock options to director and officers in accordance with TSX Venture Exchange ("TSX") policies. Effective for options granted on or after July 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3870, "*Stock-Based Compensation and Other Stock-Based Payments*", which requires that stock-based payments made to non-employees be accounted for using the fair value based method and charged to operations over the service period which normally is the period during which the options vest.

As permitted by Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, the Company elected to use the intrinsic value method for stock options issued to director and employees ("employees") prior to July 1, 2004. Under the intrinsic value, stock-based compensation is recognized to the extent that the market price of the underlying common shares exceeds the exercise price on the date of grant. As at June 30, 2004, no compensation expense had been recorded relating to stock options granted to employees.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2004

Effective July 1, 2004, the Company adopted the amended recommendations of the Canadian Institute of Chartered Accountants ("CICA") for accounting for employee stock-based compensation. The amended standard requires recognition of an estimate of the fair value of employee stock-based awards in earnings. Previously, the Company provided note disclosure of pro forma net income as if a fair value based method had been used.

The amended recommendations have been applied retroactively, without restatement of prior periods. The restatement at June 30, 2004 resulted in an increase to contributed surplus and an increase in the deficit of \$173,969. The adjustments represent the total compensation expense which would have been recorded had a fair value based method been used for stock options granted after July 1, 2003.

10. LOSS PER SHARE

Basic loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the period. Contingently issuable or returnable shares are excluded from the calculation of weighted average number of shares outstanding until all conditions necessary for their issuance or release from escrow have been satisfied.

Diluted loss per share is computed using the treasury stock method under which the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that all dilutive options and warrants were exercised at the later of the beginning of the period or the date of grant and the proceeds to be received on the exercise of stock options or warrants are applied to repurchase common shares at the average market price for the period. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

As the Company has a loss in each of the periods presented, basic and diluted loss per share are the same as the exercise of all options and warrants would be anti-dilutive.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FORM 51-102F1
March 1, 2005

This Management's Discussion and Analysis ("MD&A") reviews the activities of Cangold Limited ("Cangold", or the "Company") and compares the financial results for the six-month period ending December 31, 2004 with those of the corresponding period of 2004. It is also an update to the Company's interim MD&A for the period ending September 30, 2004. For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the audited financial statements and the accompanying notes for all relevant periods, copies of which are filed on the SEDAR website.

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles, and these statements are filed with the relevant regulatory authorities in Canada. All monetary amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Information and Report Date

This MD&A contains certain forward-looking information. All information, other than historical facts included herein, including without limitation data regarding potential mineralization, exploration results and future plans and objectives of Cangold, is forward-looking information that involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and future events and actual results could differ materially from those anticipated in the forward-looking information.

The forward-looking information is only provided as of the date of this MD&A, March 1, 2005 (the "Report Date").

Description and Overview of Business

Cangold Limited is an active resource exploration company listed on the TSX Venture Exchange, trading under the symbol CLD. Cangold's activities at the present time are focused on the exploration and development of precious and base metals in Canada, principally in northern Ontario and northwestern British Columbia. The Company was continued under the Business Corporations Act (Yukon) on March 17, 1997 and then continued into British Columbia from the jurisdiction of the Yukon, under the Business Corporations Act on December 22, 2004. On June 4, 2003, the Company changed its name from First Au Strategies Corp. to Cangold Limited.

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.

The Company capitalizes the acquisition cost of mineral properties and defers exploration and development expenditures directly related to specific mineral properties until such time as the extent of mineralization has been determined and the mineral properties are developed, the Company's mineral rights are allowed to lapse, exploration is discontinued or the Company determines that the deferred costs are in excess of the estimated net recoverable amount. At that time the deferred costs are amortized on a unit-of-production basis, written off or written down, as appropriate.

Mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued, based on the trading price of the shares on the date of the agreement to issue the shares, if their issuance is irrevocable, or otherwise the trading price of the shares on the date of issuance.

Amounts shown for mineral properties represent costs incurred to date and do not necessarily reflect present or future values.

In August, 2004, the Company completed a brokered private placement, issuing a total of 6,500,000 common shares for net cash proceeds of \$1,100,500. The proceeds from the financing have been and will be used in the advancement of the Canadian property interests and for general working capital purposes.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FORM 51-102F1
March 1, 2005

Primary Mineral Properties of the Company

a) Birch Lake Property:

The Birch Lake Property comprises 240 claim units (3,840 hectares) staked by Cangold and is situated in the Red Lake Mining Division, Northwestern Ontario.

During the quarter ended September 30, 2004, the Company entered into an option agreement which grants Trade Winds Ventures Inc. ("Trade Winds") the exclusive working right and option, for a period of three years, to purchase up to an undivided 70% interest, in the Birch Lake Property. In consideration for the working right and purchase option the Company received from Trade Winds \$10,000 cash and 50,000 common shares upon acceptance of the agreement by the TSX Venture Exchange. In order to maintain in force the working right and purchase option to earn a 60% interest, Trade Winds must issue to the Company a further 25,000 shares on each of the first and second anniversary dates and incur expenditures in respect of the mining claims of \$1 million over four years. The Company will retain a 1% Net Smelter Return. Trade Winds may then elect to acquire a further 10% interest by incurring an additional \$600,000 in expenditures in respect of the mining claims.

b) Casummit Lake Property:

Effective October 31, 2001, the Company entered into an option agreement with Wolfden Resources Inc. ("Wolfden") which granted 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.

During the year ended June 30, 2004, the Company exercised its purchase option for a 51% interest in the Casummit Lake Property by complying with the all the terms of the option agreement and exercised its option to acquire the majority interest in the property. The Company is now the operator of the newly formed Joint Venture.

The Casummit Lake Property consists of 101 claim units.

c) Thorn Property:

Effective March 1, 2002, the Company entered into an option agreement with Rimfire Minerals Corporation ("Rimfire") which granted the Company the exclusive working right and option, for a period of three years, to purchase a 51% undivided interest in the Check-Mate, Stuart and Thorn claims (the "Thorn Property") situated in the Atlin Mining Division, Northwestern British Columbia.

The interest in the Check-Mate claim is subject to a 2% Net Smelter Return Royalty and the interest in the Stuart claims is subject to a 3.5% Net Smelter Return Royalty. For the Company 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%.

On September 24, 2004, the Company complied with the remaining terms of the option agreement and exercised its option to acquire the majority interest in the property. The optionor then exercised the underlying option. The Company is now the operator of the newly formed Joint Venture.

The Thorn Property consists of 574 claim units.

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d) West Abitibi Lake Property (WALP):

Effective January 30, 2004, the Company entered into an option agreement with Boulder Mining Corporation ("Boulder") which granted the Company the exclusive working right and option, for a period of three years, to purchase a 50% undivided interest in the mining claims comprising the West Abitibi Lake Property situated in the Larder Lake Mining Division, Northeastern Ontario. In order to maintain in force the working right and purchase option, the Company was to make cash payments totalling \$25,000, issue common shares totalling 200,000 and incur cumulative expenditures of \$400,000.

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/or make any or all of the share issuances referred to above. Upon exercising the option, the Company would then have participated in a joint venture for the further exploration and development of the mining claims, with its initial participating interest being 50%.

As at December 31, 2004, it was management's intention to terminate the option agreement and as such the \$5,000 the Company accrued for its working right and purchase option was reversed and the costs incurred on the property to December 31, 2004 were written off. The option agreement was officially terminated on February 11, 2005.

The West Abitibi Lake Property consisted of 487 claim units.

Results of Operations

The Company reports a loss of \$503,894 and cash outflows from operations of \$140,426 for the six-month period ended December 31, 2004 compared with a loss of \$291,506 and cash outflows from operations of \$434,154 for the same six-month period in the previous year. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going-concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business.

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.

Expenses consist primarily of general and administrative expenses. General and administrative expenses for the six-month period ended December 31, 2004 totalled \$320,802 as compared to \$283,466 for the six-month ended December 31, 2003. Expenses have increased in 2004 over 2003 largely as a result of the stock-based compensation expense recorded in during the current period, as well as the increase in consulting, directors fees and investor relations.

- \$29,830 in stock-based compensation expense incurred in the six-month period ended December 31, 2004 is a non-cash charge that was allocated to consulting expense, representing the fair value of options granted to consultants and to an officer.
- The Company entered into an agreement on August 24, 2003 with Scott F. Gibson & Company Inc. to provide consulting services for a monthly fee of \$5,000, which was subsequently reduced to \$4,000. During the six-month period ended December 31, 2004, the Company paid \$20,000 as compared to \$20,300 for the same six-month period in the previous year.
- The Company increased the directors' fees during the period, and as a result the directors' fees for the current six-month period totalled \$30,000 as compared to \$16,000 for the same six-month period in the previous year.
- The Company entered into an agreement on January 14, 2004 with AM Capital (now B&D Capital Partners) to provide investor relations services for a monthly fee of \$2,000. During the six months ended December 31, 2004, the Company paid \$12,000 as compared to nil for the same period in the previous year.

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Write-off of mineral properties for the six months ended December 31, 2004 totalled \$183,092 due to the Company's decision to terminate the West Abitibi Lake Property option agreement. The write-off of mineral properties for the six months ended December 31, 2003 totalled \$3,000 during which the Company expensed costs incurred to terminate the Leg Lake Property option agreement.

Exploration Activities and Property Expenditures

Cangold spent \$770,716 on exploration costs, recovered \$42,365, received option payments of \$72,000 and wrote-off \$183,092 during the six-month period ended December 31, 2004. During the same six-month in the previous year the Company spent \$601,245 on exploration costs, including option payments, recovered \$19,223 and wrote-off \$3,000.

The following schedule summarizes the total expenditures made on the properties.

	Birch Lake (a)	Casummit Lake (b)	Thorn (c)	W.A.L.P. (d)	Total	
					Dec 31, 2004	Jun 30, 2004
Balance beginning of period	\$180,875	\$1,179,911	\$1,089,934	\$188,092	\$2,638,812	\$1,146,820
Option payments:						
Cash	-	-	100,000	(5,000)	95,000	78,000
Common shares	-	-	-	-	-	28,250
Staking	-	-	-	-	-	-
Analysis	-	2,004	17,219	-	19,223	65,864
Drilling	-	(2,075)	97,846	-	95,771	389,232
Field costs	-	(13,349)	341,340	-	327,991	416,973
Project admin	1,605	6,471	76,144	-	84,220	180,896
Geology	90	6,263	102,289	-	108,642	202,335
Geophysics	-	236	28,770	-	29,006	103,130
Linecutting	-	-	10,863	-	10,863	38,864
	1,695	(450)	774,471	(5,000)	770,716	1,503,544
Costs recovered	-	(2,896)	(39,469)	-	(42,365)	(8,552)
Option payments received	(72,000)	-	-	-	(72,000)	-
Written-off during the period	-	-	-	(183,092)	(183,092)	(3,000)
	(70,305)	(3,346)	735,002	(188,092)	473,259	1,491,992
Balance, end of period	\$110,570	\$1,176,565	\$1,824,936	\$ -	\$3,112,071	\$2,638,812

a) Birch Lake Property:

Recent Exploration

In April, 2004 a detailed helicopter-borne magnetic and electromagnetic survey was conducted over the property by Fugro Airborne Surveys consisting of 868 line kilometres. The survey was flown with a 50 metre line spacing at 60 metres above ground level and collected high resolution data.

The primary exploration target on the Birch Lake Property is iron formation-hosted gold. As iron formation is highly magnetic, the airborne survey will allow Cangold to trace the various units across the property and focus on areas of structural complexity that may be amenable to gold mineralization.

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b) Casummit Lake Property:

Recent Exploration Activities

The Company completed a drilling program during the winter of 2004 which consisted of 1,815 metres in 9 holes and tested both the new zone of sulphide-related gold mineralization identified in October, 2003 as well as some vein targets at the Argosy Mine. The four holes drilled at Argosy continued to extend zones of high grade gold mineralization and the five holes drilled on the new Casummit Creek Sulphide Zone encountered numerous intersections of quartz ankerite veins in silicified, sericitized intermediate tuffs, argillite and mafic tuffs. Weak gold mineralization in the veining and altered host rock is associated with disseminated arsenopyrite, pyrrhotite, and pyrite with traces of chalcopyrite and sphalerite.

During April 2004, a helicopter-borne aeromagnetic and electromagnetic survey was conducted over the property by Fugro Airborne Surveys and entailed 399 line kilometres. When combined with a detailed structural mapping program conducted in September-October, 2004, this airborne survey will assist in the interpretation of the structure of the underlying rocks and aid in the delineation of exploration targets.

c) Thorn Property:

Recent Exploration Activities

In the summer of 2004, an extensive Induced Polarization (IP) geophysical survey over the Thorn Stock was conducted, with the result that an excellent correlation was found between the IP and known mineralization in the Oban Breccia. Furthermore, several large and significant IP anomalies were outlined elsewhere on the Property in areas where there is no outcrop. These zones have been targeted for diamond drill testing and a 13-hole diamond drilling program commenced at the end of September, 2004 that was successfully completed as announced by the Company on November 18, 2004.

Also announced was the discovery of a barite-quartz-sulphide boulder with visible gold that assayed 265g/t gold and 631g/t silver. The source of the boulder is as yet unknown but the discovery is located approximately 2,000 metres north of Camp Creek Structural Corridor in a portion of the Property that has not seen any previous work. The boulder is described as being angular with a minimum dimension of 35 cm and therefore has likely not traveled far from its source.

Additional results from the surface program were announced by the Company on January 7, 2005 with the discovery of a new zone of gold-silver-copper mineralization. This new zone, dubbed the Talisker Zone, represents a significant discovery in that the mineralization does not outcrop and the IP chargeability is interpreted to be a least 500 metres long. The discovery of new mineralization underscores the dynamic nature of the mineralizing system present at the Thorn.

d) West Abitibi Lake Property (WALP):

Recent Exploration Activities

On February 23, 2004 the Company commenced a 23-hole drill program on the WALP Property. The program targeted a 4 kilometre long segment of a 300 metre wide, regional structural shear zone that was considered to be an excellent geological environment for a large-scale gold deposit. Results were negative however, such that the companies have turned their attention to other areas of the Property with similar potential. A similar overburden drilling program in the south portion of the Property is being considered for the winter of 2005.

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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 income (loss)	Net income (loss) per share ⁽¹⁾
December 31, 2004	\$Nil	\$(503,894)	\$(0.01)
September 30, 2004	\$Nil	\$(162,986)	\$(0.01)
June 30, 2004	\$Nil	\$(709,966)	\$(0.02)
March 31, 2004	\$Nil	\$(476,093)	\$(0.01)
December 31, 2003	\$Nil	\$(291,506)	\$(0.01)
September 30, 2003	\$Nil	\$(114,655)	\$(0.01)
June 30, 2003	\$Nil	\$(745,120)	\$(0.06)
March 31, 2003	\$Nil	\$(496,820)	\$(0.06)

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

Liquidity and Capital Resources

Cangold has no 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.

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 had a cash balance of \$1,049,350 at December 31, 2004 as compared to \$552,336 at June 30, 2004. The Company's financial instruments are all fully cashable at any time so there are no restrictions on availability of funds.

The Company had working capital of \$966,986 as at December 31, 2004 compared with a working capital of \$874,979 as at June 30, 2004. Working capital, together with limited additional financing, should be adequate to fund the Company's activities and to cover corporate overhead for the next fiscal year.

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

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Investing Activities

During the six months ending December 31, 2004, the Company's cash outflows from investing activities was \$718,351 of which \$656,351 was for exploration costs that were deferred compared with cash outflows from investing activities of \$571,550 during the first quarter of 2004 all of which was for exploration costs that were deferred.

There were no material differences in the actual use of proceeds from the Company's previous disclosure in this regard.

Financing Activities

On August 27, 2004, the Company closed a brokered private placement of 5,000,000 flow-through common shares at \$0.20 per common share and 1,500,000 non flow-through units at \$0.16 per unit for net cash proceeds of \$1,100,500. Each non flow-through unit consists of one non flow-through common share and one-half of one non-transferable Series "K" share purchase warrant. Each share purchase warrant entitles the holder to purchase one non flow-through common share of the Company for \$0.22 per share until August 27, 2005. The Company paid a cash finder's fee of \$99,200 and issued broker warrants to purchase up to 520,000 common shares. Each broker warrant entitles the holder to purchase one common share for \$0.20 per share until August 27, 2005. The estimated fair value of the broker warrants, using an option pricing model, of \$59,501 is included as a non-cash financing cost as a credit to contributed surplus.

As at December 31, 2004, Cangold had 52,364,316 common shares issued and outstanding.

Outstanding Share Data as at November 26, 2004

As at March 1, 2005, the Company has 52,364,316 common shares issued and outstanding or 68,854,316 on a fully diluted basis. If the Company were to issue all 16,490,000 shares issuable upon conversion of all warrants and exercise of all incentive stock options outstanding, it would raise approximately \$2,981,750.

Outlook

It is anticipated that in the foreseeable future, Cangold will rely on the equity markets to meet its financing needs.

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.

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Transactions with Related Parties

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees totalling \$24,320 to a company with a director in common and \$2,520 to an officer of the Company.
- b) Paid or accrued directors' fees totalling \$30,000 to directors of the Company.
- c) Paid or accrued management fees totalling \$38,000 to a company controlled by a director.
- d) Paid or accrued office rental and administration totalling \$21,731 to a company controlled by a director and \$15,000 to an officer of the Company respectively.

Included in mineral properties are paid or accrued geological consulting costs totalling \$8,285 to an officer of the Company.

Included in due to related parties is \$3,129 due to companies with directors in common and \$685 due to an officer of the Company.

Changes in Accounting Policies including Initial Adoption

Stock-based Compensation

The Company grants incentive stock options under its stock option plan in accordance with TSX Venture Exchange policies. Effective for options granted on or after July 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants which requires that stock-based payments made to non-employees be accounted for using the fair value based method and charged to operations over the service period which normally is the period during which the options vest.

As permitted by Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, the Company elected to use the intrinsic value method for stock options issued to director and employees ("employees") prior to July 1, 2004. Under the intrinsic value, stock-based compensation is recognized to the extent that the market price of the underlying common shares exceeds the exercise price on the date of grant. As at June 30, 2004, no compensation expense had been recorded relating to stock options granted to employees.

Effective July 1, 2004, the Company adopted the amended recommendations of the Canadian Institute of Chartered Accountants ("CICA") for accounting for employee stock-based compensation. The amended standard requires recognition of an estimate of the fair value of employee stock-based awards in earnings. Previously, the Company provided note disclosure of pro forma net income as if a fair value based method had been used.

The amended recommendations have been applied retroactively, without restatement of prior periods. The restatement at June 30, 2004 resulted in an increase to contributed surplus and an increase in the deficit of \$173,969. The adjustments represent the total compensation expense which would have been recorded had a fair value based method been used for stock options granted after July 1, 2003.

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Risk Factors Associated with Mining

Exploration and development stage of the properties

Despite exploration work on our mineral claims, no known bodies of commercial ore or economic deposits have been established on any of the mineral properties. In addition, we are in our early stages of exploration and substantial additional work will be required in order to determine if any economic deposits occur on our properties. Even in the event commercial quantities of minerals are discovered, the mining 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 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. We are an exploration stage company with no history of revenues. There can be no assurance that our operations will be profitable in the future.

Market forces outside the control the Company

The marketability of minerals is affected by numerous factors beyond the control of the entity involved in their mining and processing. These factors include market fluctuations, government regulations relating to prices, taxes royalties, allowable production, import, exports and supply and demand. One or more of these risk elements could have an impact on costs of an operation and if significant enough, reduce the prospects of profitability of our operations and threaten our continuation.

Competition and agreements with other parties

The mineral industry is intensely competitive in all phases. We compete with many companies possessing greater financial resources and technical facilities than ourselves for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Limited operating history

Since we have only recently begun the acquisition and exploration of mineral resource properties in Canada, we have a limited operating history on which to base an evaluation of our prospects. Our operating activities since our inception have consisted primarily of locating and acquiring the interest in the properties that we currently hold. As a result, we have not earned any revenues to date. We have no way to evaluate the likelihood that we will be able to operate our business successfully or that our properties contain any recoverable reserves. We anticipate that we will incur increased operating costs without realizing any revenues during the period when we are exploring our properties. For the year ending June 30, 2005, we expect to spend \$1,000,000 (approximately) on the exploration of the properties in which we hold our interests and \$600,000 in the operation of our company (depending on the amounts spent on marketing and investor relations and communications). We therefore expect to incur significant losses into the foreseeable future. We recognize that if we are unable to generate significant revenues from mining operations and any dispositions of our properties, we will not be able to earn profits or continue operations. At this early stage of our operation, we also expect to face the risks, uncertainties, expenses and difficulties frequently encountered by companies at the start up stage of their business development. We cannot be sure that we will be successful in addressing these risks and uncertainties and our failure to do so could have a materially adverse effect on our financial condition. There is no history upon which to base any assumption as to the likelihood that we will prove successful and we can provide investors with no assurance that we will generate any operating revenues or ever achieve profitable operations.

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Ability to continue as a going concern

We have not generated any significant revenues since our incorporation and we will, in all likelihood, continue to incur operating expenses without revenues until our mining properties are fully developed and in commercial production. As a result, we need to generate significant revenues from our operations or acquire financing. We cannot assure that we will be able to successfully explore and develop our mining properties or assure that viable reserves exist on the properties for extraction. It is unlikely that we will generate any funds internally until we discover commercially viable quantities of ore. If we are unable to generate cash inflow to support our business activities during the fiscal year ending June 30, 2005, we may be forced to delay, scale back, or eliminate our exploration activities.

Because we have not generated any revenue from our business and we cannot anticipate when we will be able to generate revenue from our business, we will need to raise additional funds for the further exploration and future development of our mining claims and to respond to unanticipated requirements or expenses. We anticipate that we will need to raise minimal further financing for the 12 month period ending June 30, 2005, but will need to raise further capital very soon thereafter in the approximate amount of \$1,000,000 to \$2,000,000. We do not currently have any arrangements for financing and we can provide no assurance to investors we will be able to find such financing if required. The most likely source of future funds presently available to us is through the sale of equity capital. All of these circumstances raise substantial doubt about our ability to continue as a going concern.

Environmental factors

There is no assurance that environmental regulations will not change in a manner that could have an adverse effect on the Company's financial condition, liquidity or results of operations. Environmental legislation is constantly expanding and evolving in ways that impose stricter standards and more rigorous enforcement, with higher fines and more severe penalties for non-compliance, and increased scrutiny of proposed projects. There is an increased level of responsibility for companies, and trend towards criminal liability for officers and directors for violations of environmental laws, whether inadvertent or not.

Mineral prices subject to dramatic and unpredictable fluctuations

The market price of precious metals and other minerals is volatile and cannot be controlled. If the price of precious metals and other minerals should drop significantly, the economic prospects of the projects which we have an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of same. Factors beyond our control may affect the marketability of any minerals discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond our control, including government regulations relating to royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.