

BC FORM 51-901F

QUARTERLY AND YEAR END REPORT

SCHEDULE A – FINANCIAL STATEMENTS

CANGOLD LIMITED

for the twelve months ended June 30, 2003

Refer to the enclosed Financial Statements:

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

Financial Statements of

CANGOLD LIMITED

(Formerly First Au Strategies Corp.)

Years ended June 30, 2003 and 2002



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Cangold Limited (formerly First Au Strategies Corp.) as at June 30, 2003 and 2002 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

September 18, 2003



CANGOLD LIMITED

(Formerly First Au Strategies Corp.)

Balance Sheets

June 30, 2003 and 2002

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 350,648	\$ 34,711
Accounts receivable	76,590	7,420
Prepaid expenses	89,363	44,715
	516,601	86,846
Mineral properties (note 3)	1,146,820	208,046
Equipment (note 4)	16,069	10,424
	\$ 1,679,490	\$ 305,316

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 216,343	\$ 98,141
Shareholder advances (note 6)	-	45,000
Due to related parties (note 6)	31,141	76,040
	247,484	219,181
Shareholders' equity:		
Capital stock (note 5)	3,764,682	1,673,691
Contributed surplus	1,875	1,875
Deficit	(2,334,551)	(1,589,431)
	1,432,006	86,135
	\$ 1,679,490	\$ 305,316

Going concern (note 1)

Subsequent event (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Kaare G. Foy" Director

"Robert A. Archer" Director

CANGOLD LIMITED

(Formerly First Au Strategies Corp.)

Statements of Operations and Deficit

Years ended June 30, 2003 and 2002

	2003	2002
Expenses:		
Amortization	\$ 3,646	\$ 2,643
Consulting	269,947	84,037
Directors fees	32,000	30,000
Exploration	500	6,454
Filing fees	22,382	19,236
Foreign exchange loss	3,642	3,201
Investor relations	52,324	32,500
Management fees	63,000	33,000
Office and miscellaneous	42,230	31,097
Printing	14,440	10,488
Professional fees	66,177	99,649
Rent	28,383	51,316
Telephone	388	8,948
Transfer agent fees	10,983	4,964
Travel	25,947	41,837
	<u>635,989</u>	<u>459,370</u>
Loss before undernoted	(635,989)	(459,370)
Recovery of consulting fees	-	5,349
Write-off of mineral properties	(109,131)	-
	<u>(109,131)</u>	<u>5,349</u>
Net loss for the year	(745,120)	(454,021)
Deficit, beginning of year	(1,589,431)	(1,135,410)
Deficit, end of year	<u>\$ (2,334,551)</u>	<u>\$ (1,589,431)</u>
Loss per share (note 2(h))	\$ (0.06)	\$ (0.08)
Diluted loss per share (note 2(h))	\$ (0.06)	\$ (0.08)

See accompanying notes to financial statements.

CANGOLD LIMITED

(Formerly First Au Strategies Corp.)

Statements of Cash Flows

Years ended June 30, 2003 and 2002

	2003	2002
Cash flows from (used in) operating activities:		
Net loss for the year	\$ (745,120)	\$ (454,021)
Adjustment to reconcile net earnings (loss) to cash provided by operating activities:		
Amortization	3,646	2,643
Recovery of consulting fees	-	(5,349)
Write-off of mineral properties	109,131	-
Changes in non-cash operating working capital:		
Accounts receivable	(69,170)	(4,241)
Prepaid expenses	(44,648)	(35,719)
Accounts payable and accrued liabilities	118,202	76,452
Net cash used in operating activities	(627,959)	(420,235)
Cash flows used in investing activities:		
Mineral properties	(1,020,355)	(156,796)
Equipment	(9,291)	-
Net cash used in investing activities	(1,029,646)	(156,796)
Cash flows from financing activities:		
Issuance of shares for cash, net of costs	2,018,441	331,100
Shareholder advances	-	40,000
Due to related parties	(44,899)	46,676
Net cash from financing activities	1,973,542	417,776
Increase (decrease) in cash and cash equivalents	315,937	(159,255)
Cash and cash equivalents, beginning of year	34,711	193,966
Cash and cash equivalents, end of year	\$ 350,648	\$ 34,711
Supplementary information:		
Income taxes paid	\$ -	\$ -
Interest paid	-	-
Non-cash financing activities:		
Shares issued on settlement of amounts due to related parties	45,000	-
Shares issued on acquisition of mineral property interests	27,550	51,250
Cancellation of common shares in escrow	-	(1,875)

See accompanying notes to financial statements.

CANGOLD LIMITED

(Formerly First Au Strategies Corp.)

Notes to Financial Statements

Years ended June 30, 2003 and 2002

1. Going concern:

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

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral 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 development, confirmation of the Company's interest in the underlying mineral claims and leases and upon future profitable production from, or the proceeds from the disposition of its mineral properties.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. There is substantial doubt about the appropriateness of using the going concern assumption by the Company because during the year ended June 30, 2003 the Company incurred a loss of approximately \$745,000 (2002 - \$454,000). The Company also used cash for operations of approximately \$673,000 (2002 - \$374,000). In addition, the Company has a deficit of approximately \$2,334,000 at June 30, 2003. The Company's continuing operations and the ability of the Company to discharge its liabilities and fulfill its commitments as they come due is dependent upon the ability of the Company to continue to obtain equity financing. Subsequent to year end, the Company closed a private placement, raising gross proceeds of \$765,000 (note 9). Failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which would differ materially from the going concern basis.

2. Significant accounting policies:

(a) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the recoverability of mineral property deferred costs, useful lives of equipment for purposes of calculating amortization and valuation allowance of future tax assets. Actual results could differ from those estimates.

CANGOLD LIMITED

(Formerly First Au Strategies Corp.)

Notes to Financial Statements

Years ended June 30, 2003 and 2002

2. Significant accounting policies (continued):

(b) Mineral properties:

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 either 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.

Refundable mineral exploration tax credits are recorded on receipt as the amounts are subject to acceptance by the taxation authorities.

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

(c) Equipment:

Equipment is recorded at cost. Amortization on computer equipment is provided at 30% per annum on a declining balance basis. Amortization on furniture and fixtures is provided at 20% per annum on a declining balance basis. Amortization on drilling equipment is provided at 30% per annum on a declining balance basis.

(d) Stock-based compensation:

The Company grants incentive stock options to directors and officers under TSX Venture Exchange ("TSX") policies. Effective for options granted on or after July 1, 2002, the Company adopted the recommendations of 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. For options granted prior to July 1, 2002, no stock-based compensation expense was recorded for any stock options granted to either employees, directors, or non-employees.

As permitted by CICA Handbook Section 3870, the Company has elected to use the intrinsic value method for stock options issued to directors and officers. Under the intrinsic value method, 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. No compensation expense has been recorded related to stock options granted to employees and directors. The Company discloses the pro-forma effect of accounting for stock options granted to employees and directors under the fair value method in note 5(d).

CANGOLD LIMITED

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

2. Significant accounting policies (continued):

(e) Foreign currency translation:

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(f) Cash and cash equivalents:

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

(g) Income taxes:

Income taxes are accounted for using the asset and liability method.

Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and loss carry forwards. Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is, in management's estimation, more likely than not to be realized.

(h) Loss per share:

In December 2000, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") revised Section 3500 of the CICA Handbook, "*Earnings per Share*" ("Section 3500"). Section 3500 requires the use of the treasury stock method of calculating diluted earnings (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 satisfied. Basic loss per share continues to be calculated using the weighted average number of shares outstanding during the year.

Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of stock options or warrants is applied to repurchase common shares at the average market price for the period.

CANGOLD LIMITED

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

2. Significant accounting policies (continued):

(h) Loss per share (continued):

During the year ended June 30, 2002, the Company adopted the recommendations of Section 3500 with retroactive restatement for fiscal 2001. The diluted loss per share for fiscal years 2003 and 2002 is not disclosed as it is anti-dilutive.

(i) Comparative figures:

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

3. Mineral properties:

	Leg Lake (a)	Casummit Lake (b)	Birch Lake	Jim Lake	Nickleby Lake (c)	Thorn (d)	Total	
							2003	2002
Option payments:								
Cash consideration	\$ 4,000	\$ 10,000	\$ -	\$ -	\$ -	\$ 25,000	\$ 39,000	\$ 37,500
Common shares	6,800	10,500	-	-	4,250	6,000	27,550	51,250
Drilling	-	337,974	-	-	-	57,859	395,833	-
Staking	-	-	-	-	-	-	-	44,770
Analysis	396	5,874	-	-	-	7,047	13,317	870
Field costs	250	136,126	553	-	-	135,635	272,564	15,560
Project administration	1,482	74,752	1,091	-	-	48,455	125,780	34,820
Geology	750	35,831	7,838	-	-	68,066	112,485	7,378
Geophysics	7,256	64,115	-	-	-	-	71,371	8,397
Linecutting	5,400	17,437	-	-	-	-	22,837	7,501
Total exploration and development expenditures during the year	26,334	692,609	9,482	-	4,250	348,062	1,080,737	208,046
Balance, beginning of year	43,712	42,067	28,207	18,943	15,892	59,225	208,046	-
Cost recoveries	-	(32,832)	-	-	-	-	(32,832)	-
Amounts written off during the year	(70,046)	-	-	(18,943)	(20,142)	-	(109,131)	-
Balance, end of year	\$ -	\$ 701,844	\$ 37,689	\$ -	\$ -	\$ 407,287	\$ 1,146,820	\$ 208,046

CANGOLD LIMITED

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

3. Mineral properties (continued):

(a) 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 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 and issue 25,000 common shares;
- (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; and
- (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.

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 share issuances referred to above. Provided that the Company has paid, in respect of the option agreement, the total of \$85,000 and has issued a total of 100,000 common shares, the Company may exercise its purchase option resulting in it being deemed to have purchased 100% interest in the mining claims. If the Company exercises the purchase option the Company is required to pay, if and when the mining claims are put into commercial production, a royalty equal to 2% of the Net Smelter Return. The Company has the right at any time and at its option to purchase one-half of the 2% Net Smelter Return for the sum of \$1,000,000.

On December 16, 2002, it was announced that the original terms of the Leg Lake agreement were amended to reduce the first anniversary cash payment from \$8,000 to \$4,000 and to correspondingly increase the required issuance of common shares from 25,000 to 40,000. During the year ended June 30, 2003, the \$4,000 cash was paid and the 40,000 common shares were issued.

As at June 30, 2003, it was management's intention to terminate the option agreement. Therefore, the Leg Lake property was written off at June 30, 2003. The option agreement was officially terminated on September 5, 2003.

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

3. Mineral properties (continued):

(b) Casummit Lake property:

Effective October 31, 2001, the Company entered into an option agreement which grants the Company the exclusive working rights and the option, for a period of two years, to purchase a 51% interest in the Casummit Lake mining claims located 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) Before October 31, 2002, pay \$10,000 and issue 50,000 common shares and incur expenditures of at least \$250,000 on mining operations in respect of the mining claim; and
- (ii) 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 claim.

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 share issuances referred to above. Provided that the Company has paid in respect of the option agreement the total of \$40,000, has issued a total of 200,000 common shares and has incurred cumulative expenditures in respect of the mining claims of at least \$650,000 before October 31, 2003, the Company may exercise its purchase option resulting in it being deemed to have purchased a 51% interest in the mining claims. If the Company exercises the purchase option, it will participate in a joint venture for the further development of the mining claims.

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 mining claims, in accordance with (i) above.

Subsequent to June 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 the option agreement signed October 1, 2001. In doing so, the Company exercised its option to acquire the majority interest in the property. The Company will be the operator of the newly formed Joint Venture.

CANGOLD LIMITED

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

3. Mineral properties (continued):

(c) Nickleby Lake property:

Effective November 6, 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 the mining claims comprising the Nickleby Lake property situated in the Thunder Bay Mining Division, Northwestern Ontario. In consideration for the working right and purchase option the Company paid \$7,500 and issued 25,000 common shares.

On November 19, 2002, the Company terminated the option agreement and issued 25,000 common shares as consideration for this termination.

(d) 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 an undivided 51% interest, in the Check-Mate, Stuart and Thorn Claims which are situated in the Atlin Mining Division, Northwestern British Columbia. In consideration for the working right and purchase option the Company paid \$15,000 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 March 1, 2003, the Company must pay \$25,000 and issue 50,000 common shares and incur expenditures in respect of the mining claims of at least \$300,000;
- (ii) On or before March 1, 2004, the Company must pay \$50,000 and issue 50,000 common shares and incur cumulative expenditures in respect of the mining claims of at least \$700,000; and
- (iii) On or before March 1, 2005, the Company may 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 make an additional payment of \$100,000 and issue an additional 50,000 common shares for a total consideration of \$190,000 and 250,000 shares.

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 share issuances referred to above. The interests in the Check-Mate claim are subject to a royalty charge in the amount of 2.0% of Net Smelter Returns and the interests in the Stuart claims are subject to a royalty of 3.5% of Net Smelter Returns from commercial operations. The Company has the right to acquire at any time, within one year of the commencement of commercial production, a 21.43% interest in the Stuart royalty (being 0.75% of the total 3.5% royalty) for consideration of \$1,000,000. The Company has the right at any time and at its option to purchase a 62.5% interest in the Check-Mate royalty (being 1.25% of the 2.0% royalty) and a 45.45% interest in the Stuart royalty (being 1.25% of the remaining 2.75% royalty) for consideration of \$2,000,000.

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

3. Mineral properties (continued):

(d) Thorn property (continued):

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

4. Equipment:

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	6,026	904	5,122
	\$ 45,549	\$ 29,480	\$ 16,069

2002	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 4,538	\$ 4,327	\$ 211
Furniture and fixtures	31,720	21,507	10,213
	\$ 36,258	\$ 25,834	\$ 10,424

5. Capital stock:

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued:

	Number of shares	Stated value
Balance, June 30, 2001	5,171,674	\$ 1,293,216
Shares issued for mineral property interests, net of costs (i)	250,000	51,250
Exercise of stock options at \$0.13 per share	420,000	54,600
Private placement at \$0.25 per share, net of costs (ii)	1,150,000	276,500
Cancellation of common shares in escrow (iii)	(5,208)	(1,875)
	1,814,792	380,475
Balance, June 30, 2002, carried forward (x)	6,986,466	1,673,691

CANGOLD LIMITED

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

5. Capital stock (continued):

(b) Issued (continued):

	Number of shares	Stated value
Balance, June 30, 2002, brought forward	6,986,466	1,673,691
Exercise of stock options at \$0.13 per share	40,000	5,200
Short form offering at \$0.20 per share, net of costs (iv)	2,828,500	429,925
Private placement at \$0.13 per share (v)	520,000	67,600
Private placement at \$0.10 per share (vi)	500,000	50,000
Private placement at \$0.10 per share, net of costs (vii)	13,848,600	1,286,688
Private placement at \$0.15 per share, net of costs (viii)	1,638,000	224,028
Shares issued for mineral property interests, net of costs (ix)	165,000	27,550
Balance, June 30, 2003 (x)	26,526,566	\$ 3,764,682

- (i) During the year ended June 30, 2002, the Company issued, as consideration for the acquisition of working rights and options to purchase four mineral properties (note 3), 250,000 common shares at a price of \$0.17 to \$0.25 per share for a total of \$51,250.
- (ii) During the year ended June 30, 2002, the Company completed a private placement of 1,150,000 common shares at \$0.25 per share for net proceeds of \$276,500. Costs associated with this issuance were \$11,000. Attached to the common shares are 1,150,000 non-transferable Series "D" share purchase warrants which entitle the holder to purchase 1,150,000 common shares of the Company for \$0.30 per share until March 29, 2004.
- (iii) During the year ended June 30, 2002, the holders of 5,208 escrow shares surrendered those shares for cancellation. The stated value of the escrow shares cancelled has been credited to contributed surplus.
- (iv) During the year ended June 30, 2003, the Company completed a \$515,700 financing under its Short Form Offering Document dated September 30, 2003. 1,602,500 Flow-Through Units and 976,000 Non Flow-Through Units were issued at \$0.20 per unit. Each Flow-Through Unit consists of one common share and one transferable Series "E" share purchase warrant. Each Non Flow-Through Unit consists of one common share and two transferable Series "E" share purchase warrants. Two share purchase warrants entitle the holder to purchase one common share for \$0.25 per share until October 28, 2003 and thereafter for \$0.30 per share until October 28, 2004.

The Company paid financing fees of \$51,290 and commissions of \$34,485. The Company also issued 250,000 common shares as a corporate finance fee and agent's options to purchase up to 304,275 common shares. The agent's options have the same terms and prices as the Series "E" share purchase warrants.

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

5. Capital stock (continued):

(b) Issued (continued):

- (v) During the year ended June 30, 2003, the Company completed a private placement of 520,000 common shares at \$0.13 per share for net proceeds of \$67,600.
- (vi) During the year ended June 30, 2003, the Company completed a private placement of 500,000 common shares at \$0.10 per share for net proceeds of \$50,000. Attached to the common shares are 500,000 non-transferable Series "F" share purchase warrants which entitle the holder to purchase 500,000 common shares of the Company for \$0.25 per share on or before February 2, 2004 and thereafter for \$0.30 per share until February 2, 2005.
- (vii) During the year ended June 30, 2003, the Company completed a private placement of 4,160,000 Flow-Through Units and 9,547,000 Non Flow-Through Units at \$0.10 per unit for net proceeds of \$1,286,688. Each Flow-Through Unit consists of one Flow-Through common share and one-half non-transferable Series "G" share purchase warrant. Each Non Flow-Through Unit consists of one Non Flow-Through common share and one non-transferable Series "G" share purchase warrant. Each share purchase warrant will entitle the holder to purchase one Non Flow-Through common share for \$0.15 per share until March 19, 2004, and thereafter at \$0.20 per share until March 19, 2005.

The Company paid financing fees of \$36,012 and cash finders' fees of \$48,000. The Company also issued 141,600 common shares as finders' fees and finders' warrants to purchase up to 777,000 common shares. The finders' warrants have the same terms and prices as the Series "G" share purchase warrants.
- (viii) During the year ended June 30, 2003, the Company completed a private placement of 1,638,000 common shares at \$0.15 per share for gross proceeds of \$245,700. Attached to the common shares are 819,000 non-transferable Series "H" share purchase warrants which entitle the holder to purchase 819,000 common shares of the Company for \$0.20 per share until December 13, 2004. The Company paid financing fees of \$2,016, a cash finder's fee of \$19,656 and issued finders' warrants to purchase up to 163,800 common shares. The finders' warrants have the same terms and prices as the Series "H" share purchase warrants.
- (ix) During the year ended June 30, 2003, the Company issued, pursuant to the terms of the option agreements for four of the mineral properties (note 3), 165,000 common shares at a price of \$0.12 to \$0.21 per share for a total of \$27,550.
- (x) Included in issued capital stock are 357,010 (2002 - 396,676) common shares held in escrow. The Company filed an Amendment to the Escrow Agreement dated December 21, 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 pursuant to the amendment to the escrow agreement.

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

5. Capital stock (continued):

(c) Warrants:

The continuity of share purchase warrants for 2003 is as follows:

Type	June 30, 2002	Granted	Exercised	Cancelled/ Expired	June 30, 2003	Price	Expiry date
Series "C"	2,280,147	-	-	2,280,147	-	\$ 0.20	April 9, 2003
Series "D"	1,150,000	-	-	820,000	330,000	0.30	March 29, 2004
Series "E"	-	3,554,500	-	-	3,554,500	\$0.25	October 28, 2003
Agents' Options	-	304,275	-	-	304,275	to \$0.30 \$0.25	to October 28, 2004 October 28, 2003
Series "F"	-	500,000	-	-	500,000	to \$0.30 \$0.25	to October 28, 2004 February 2, 2004
Series "G"	-	11,627,000	-	-	11,627,000	to \$0.30 \$0.15	to February 2, 2005 March 19, 2004
Finder's Warrants	-	777,000	-	-	777,000	to \$0.20 \$0.15	to March 19, 2005 March 19, 2004
Series "H"	-	819,000	-	-	819,000	to \$0.20 \$0.20	to March 19, 2005 December 13, 2004
Finders' Warrants	-	163,800	-	-	163,800	\$0.20	December 13, 2004
	3,430,147	17,745,575	-	3,100,147	18,075,575		

Weighted average exercise price:

\$ 0.23	\$ 0.17	\$ -	\$ 0.23	\$ 0.18
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The continuity of share purchase warrants for 2002 is as follows:

Type	June 30, 2001	Granted	Exercised	Expired	June 30, 2002	Price	Expiry date
Series "C"	2,280,147	-	-	-	2,280,147	\$ 0.20	April 9, 2003
Series "D"	-	1,150,000	-	-	1,150,000	0.30	March 29, 2004
	2,280,147	1,150,000	-	-	3,430,147		

Weighted average exercise price:

\$ 0.20	\$ 0.30	-	-	\$ 0.23
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CANGOLD LIMITED

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

5. Capital stock (continued):

(d) Stock options:

Subject to regulatory approval, the Company has reserved for issuance up to 10% of the issued common shares for incentive 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 value of the shares at the date of grant and have expiry dates of no longer than five years.

The continuity of share purchase options for 2003 is as follows:

June 30, 2002	Granted	Cancelled	Exercised	June 30, 2003	Exercise price	Expiry date
50,000	-	-	-	50,000	\$ 0.13	November 3, 2006
40,000	-	-	40,000	-	0.13	November 4, 2002
440,000	-	-	-	440,000	0.13	December 1, 2006
70,000	-	-	-	70,000	0.31	July 4, 2003
-	430,000	-	-	430,000	0.16	October 29, 2007
-	1,330,000	-	-	1,330,000	0.15	April 22, 2008
600,000	1,760,000	-	40,000	2,320,000		

Weighted average exercise price:

\$ 0.15	\$ 0.15	\$ -	\$ 0.13	\$ 0.15
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The continuity of share purchase options for 2002 is as follows:

June 30, 2001	Granted	Cancelled	Exercised	June 30, 2002	Exercise price	Expiry date
37,208	-	(37,208)	-	-	\$ 1.80	December 23, 2001
5,150	-	(5,150)	-	-	1.80	March 11, 2002
-	410,000	-	(360,000)	50,000	0.13	November 3, 2006
-	100,000	-	(60,000)	40,000	0.13	November 4, 2002
-	440,000	-	-	440,000	0.13	December 1, 2006
-	70,000	-	-	70,000	0.31	July 4, 2003
42,358	1,020,000	(42,358)	(420,000)	600,000		

Weighted average exercise price:

\$ 1.80	\$ 0.14	\$ 1.80	\$ 0.13	\$ 0.15
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Notes to Financial Statements

Years ended June 30, 2003 and 2002

5. Capital stock (continued):

(d) Stock options (continued):

Had compensation expense for the stock options granted to employees in the year ended June 30, 2003 been determined based on their fair value at the grant dates, calculated using the Black-Scholes option pricing model, the Company's net loss and loss per share for the year ended June 30, 2003 would have been adjusted to the pro forma amounts indicated below:

Net loss:	
As reported	\$ (745,120)
Pro forma	(947,639)
Basic and fully diluted loss per common share:	
As reported	\$ (0.06)
Pro forma	(0.07)
Stock-based compensation:	
As reported	\$ -
Pro forma	202,519

The pro forma amounts exclude the effects of options granted prior to January 1, 2002. The fair value of the options was determined using the Black-Scholes option pricing model using the following weighted average assumptions; expected dividend yield - nil%; expected stock price volatility - 102%, risk free interest rate 4.00%; expected life of options - nil. The weighted average grant date fair value was \$0.12 for options granted during the year ended June 30, 2003.

6. Related party transactions:

- (a) Amounts due to related parties consist of \$31,141 (2002 - \$76,040) due to directors or companies with directors in common. The balance is payable on demand without interest.
- (b) At June 30, 2003, the Company owes nil (2002 - \$45,000) to shareholders for advances. The balance is payable on demand without interest.
- (c) Included in mineral properties (note 3) are amounts totalling \$34,750 (2002 - \$23,935) for geological consulting costs provided to the Company by a company controlled by a director of the Company. The amounts are recorded at the exchange amount agreed to by the parties.
- (d) Included in expenses are amounts totalling \$298,226 (2002 - \$170,259) for consulting, directors fees, management fees, accounting, rent and office provided to the Company from companies controlled by the directors of the Company. The amounts are recorded at the exchange amount agreed to by the parties.

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

7. Income taxes:

The Company has incurred non-capital losses of approximately \$1,843,000 for Canadian income tax purposes which can be carried forward to reduce net income for income tax purposes in future years. This amount comprises losses expiring in the fiscal years ending June 30:

2004	\$ 80,000
2005	683,000
2006	475,000
2007	163,000
2008	-
2009	197,000
2010	245,000

The Company has also incurred net capital losses of approximately \$1,827,000 for Canadian tax purposes which can be carried forward to reduce future taxable capital gains.

As at June 30, 2003, the tax effect of the significant components within the Company's future tax asset are as follows:

	2003	2002
Future tax assets:		
Non-capital losses carried forward	\$ 656,389	\$ 681,000
Net capital losses carried forward	650,615	778,000
Foreign resource pools	223,119	267,000
Canadian resource pools	339,801	151,000
Financing costs	59,509	8,400
Other	12,445	13,600
	1,941,878	1,899,000
Valuation allowance	(1,533,381)	(1,811,000)
	408,497	88,000
Future tax liabilities:		
Mineral properties	(408,497)	(88,000)
Net future asset (liability)	\$ -	\$ -

8. Financial instruments:

The carrying amounts of cash and cash equivalents and accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of amounts due to related parties and shareholders cannot be reasonably estimated due to uncertainty as to timing and method of repayment.

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Notes to Financial Statements

Years ended June 30, 2003 and 2002

9. Subsequent event:

Subsequent to June 30, 2003, Cangold completed a new private placement of 7,650,000 units at \$0.10 per unit for gross proceeds of \$765,000. Each unit consists of one Non Flow-Through common share of the Company and one non-transferable Series "I" share purchase warrant. Each warrant will entitle the holder to purchase one common share until April 15, 2005 at a price of \$0.15 per share. A cash finder's fee of \$38,000 was paid and finder's warrants to purchase up to 475,000 common shares were issued. The finder's warrants have the same terms and prices as the Series "I" share purchase warrants. Financing proceeds will be used for continued exploration of the Company's properties and for general corporate purposes.