

Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

CANGOLD LIMITED

Three months ended September 30, 2005

These financial statements have not been reviewed by the Company's auditors.

CANGOLD LIMITED
BALANCE SHEETS

(Unaudited - Prepared by Management)

	September 30, 2005 \$	June 30, 2005 \$
ASSETS		
Current assets		
Cash and cash equivalents	304,524	497,928
Short-term investments	29,500	29,500
Amounts receivable	51,020	19,012
Prepaid expenses and advances	<u>-</u>	<u>245,572</u>
	385,044	792,012
Reclamation deposit	25,800	25,800
Mineral properties	3,507,487	3,255,285
Capital assets	<u>3,580</u>	<u>3,870</u>
	<u>3,921,911</u>	<u>4,076,967</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued liabilities	64,101	142,933
Due to related parties	<u>19,548</u>	<u>26,831</u>
	<u>83,649</u>	<u>169,764</u>
Shareholders' equity		
Capital stock	7,051,248	7,051,248
Contributed surplus	608,712	608,712
Deficit	<u>(3,821,698)</u>	<u>(3,752,757)</u>
	<u>3,838,262</u>	<u>3,907,203</u>
	<u>3,921,911</u>	<u>4,076,967</u>

APPROVED BY THE DIRECTORS

"Robert A. Archer" Director

"Kaare G. Foy" Director

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

Three months ended September 30, 2005 and 2004

	2005	2004
	\$	\$
EXPENSES		
Amortization	290	415
Consulting		
Incurred	3,237	36,180
Stock-based compensation	-	29,709
Directors fees	15,000	15,000
Filing fees	-	7,585
Investor relations	12,116	22,873
Management fees	7,320	18,000
Office and miscellaneous	6,911	7,189
Printing	239	495
Professional fees	16,218	14,194
Rent	7,152	6,365
Telephone	-	83
Transfer agent fees	1,317	1,784
Travel	-	3,874
Foreign exchange (gain) loss	<u>-</u>	<u>(7)</u>
Loss before undernoted	(69,800)	(163,739)
Interest income	<u>859</u>	<u>753</u>
Net loss for the period	(68,941)	(162,986)
Deficit, beginning of period:		
As previously stated	(3,752,757)	(3,044,517)
Adjustment for retroactive adoption of amended accounting standard	<u>-</u>	<u>(173,969)</u>
	<u>(3,752,757)</u>	<u>(3,218,486)</u>
Deficit, end of period	<u>(3,821,698)</u>	<u>(3,381,472)</u>
Loss per share	<u>(0.01)</u>	<u>(0.01)</u>

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

Three months ended September 30, 2005 and 2004

	2005	2004
	\$	\$
Cash flows from (used in) operating activities		
Net loss for the period	(68,941)	(162,986)
Adjustments to reconcile net loss to cash provided by operating activities:		
Amortization	290	415
Stock-based compensation	-	29,709
Changes in non-cash working capital:		
Amounts receivable	(32,008)	(15,997)
Prepaid expenses	245,572	(396,936)
Accounts payable	<u>(78,832)</u>	<u>249,511</u>
Net cash from (used in) operating activities	<u>66,081</u>	<u>(296,284)</u>
Cash flows used in investing activities		
Mineral properties	<u>(252,202)</u>	<u>(361,532)</u>
Net cash used in investing activities	<u>(252,202)</u>	<u>(361,532)</u>
Cash flows from (used in) financing activities		
Issuance of shares for cash, net of costs	-	1,100,500
Decrease in due to related parties	<u>(7,283)</u>	<u>(5,033)</u>
Net cash from (used in) financing activities	<u>(7,283)</u>	<u>1,095,467</u>
Change in cash and cash equivalents	(193,404)	437,651
Cash and cash equivalents, beginning of period	<u>497,928</u>	<u>552,336</u>
Cash and cash equivalents, end of period	<u>304,524</u>	<u>989,987</u>

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2005

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.

2. NATURE AND CONTINUANCE OF OPERATIONS

Cangold Limited (the "Company") was continued under the Business Corporations Act (Yukon) on March 17, 1997 and continued under the Business Corporations Act (British Columbia) on December 22, 2004. On June 4, 2003, the Company changed its name from First Au Strategies Corp. to Cangold Limited.

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

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

The ability of the Company to continue as a going concern and to realize its assets and discharge its liabilities when due in the normal course of business is dependent upon the existence of economically recoverable mineral reserves and the ability to raise adequate financing from lenders, shareholders and other investors to support such business activities. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

	September 30, 2005	June 30, 2005
Deficit	\$ (3,821,698)	\$ (3,752,757)
Working capital	\$ 301,395	\$ 622,248

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2005

3. MINERAL PROPERTIES

	Birch	Casummit	Thorn	Total	
	Lake (a)	Lake (b)	(c)	Sep 30, 2005	Jun 30, 2005
Balance beginning of period	\$110,570	\$1,176,657	\$1,968,058	\$3,255,285	\$2,638,812
Option payments:					
Cash	-	-	-	-	95,000
Common shares	-	-	-	-	-
Staking	-	-	-	-	-
Analysis	-	-	13,760	13,760	19,223
Drilling	-	-	38,367	38,367	95,771
Field costs	-	-	179,229	179,229	373,489
Project administration	-	-	24,397	24,397	113,502
Geology	-	-	18,996	18,996	159,466
Geophysics	-	-	16,501	16,501	51,593
Linecutting	-	-	3,918	3,918	21,350
Costs recovered	-	-	295,168	295,168	929,394
Consideration for area of interest provision	-	-	(27,966)	(27,966)	(57,829)
Option payments received	-	-	-	-	(72,000)
Written-off during the period	-	-	-	-	(183,092)
	-	-	252,202	252,202	616,473
Balance, end of period	\$110,570	\$1,176,657	\$2,220,260	\$3,507,487	\$3,255,285

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 year ended June 30, 2005, the Company entered into an option agreement which granted 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.

On August 31, 2005, Trade Winds notified the Company that it has elected to terminate the option agreement.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2005

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 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 paid \$15,000 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 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
 Three months ended September 30, 2005

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%.

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 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.

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, 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.

During the year ended June 30, 2005, 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 Joint Venture.

The Company is contingently liable for the site restoration of the mineral property under the regulations of the Mines Act (the "Act") of the Province of British Columbia. The required deposit under the Act is supported by a term deposit held by the Company in the amount of \$25,800.

4. CAPITAL ASSETS

September 30, 2005	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,803	\$ 6,544	\$ 1,259
Field equipment	<u>6,026</u>	<u>3,705</u>	<u>2,321</u>
	\$ 13,829	\$ 10,249	\$ 3,580
June 30, 2005	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,803	\$ 6,443	\$ 1,360
Field equipment	<u>6,026</u>	<u>3,516</u>	<u>2,510</u>
	\$ 13,829	\$ 9,959	\$ 3,870

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2005

5. CAPITAL STOCK

Authorized:

Unlimited number of common shares without par value

Issued:

	Number of Shares	Amount
Balance as at June 30, 2004	45,864,316	\$6,338,723
Private placement, net of costs	6,500,000	1,100,500
Issue of warrants for financing services	-	(31,775)
Flow-through shares renounced to investors	-	(356,200)
Balance as at June 30, 2005 and September 30, 2005	52,364,316	\$ 7,051,248

Included in issued capital stock are 198,340 (June 30, 2005 – 238,008) 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, 2005, 79,366 escrow shares were released and during the three-month period ended September 30, 2005, 39,668 escrow shares were released.

6. OPTIONS AND WARRANTS

Pursuant to the policies of the TSX Venture Exchange ("TSX-V"), the Company may grant incentive stock options to its officers, directors, employees and consultants. TSX-V policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to qualified persons as incentive for their services. Pursuant to the Company's Restated 2002 Incentive Stock Option Plan, stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the outstanding issue of the Company at the time of granting and may not exceed 5% of the outstanding issue to any individual (maximum of 2% to any consultant) in any 12-month period. The exercise price of stock options is determined by the board of directors of the Company by reference to the market value of the shares at the date of grant. Options have expiry dates of no longer than five years from the date of grant and terminate 30 days following the termination of the participant's employment. Vesting of options is made at the time of granting of the options at the discretion of the board of directors unless otherwise specified. Once approved and vested, the options are exercisable at any time.

CANGOLD LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Three months ended September 30, 2005

As at September 30, 2005, the Company has incentive stock options outstanding as follows:

Number Of Shares	Exercise Price	Expiry Date
200,000	\$0.28	December 31, 2005
100,000	\$0.11	May 2, 2006
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 7, 2009

As at September 30, 2005, the Company has warrants outstanding as follows:

Type	Number of Warrants	Exercise Price	Expiry Date
Series "I"	5,800,000	\$0.15	April 5, 2005 (original) October 5, 2005 (extended to)

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees totalling \$1,280 to a company with a director in common and \$332 to an officer of the Company.
- b) Paid or accrued directors' fees totalling \$15,000 to directors of the Company.
- c) Paid or accrued management fees totalling \$7,320 to a company with a director in common.
- d) Paid or accrued office rent and administration costs totalling \$11,152 to a company with a director in common and \$7,500 to an officer of the Company.

Included in mineral properties are paid or accrued geological consulting costs totalling \$4,655 to an officer of the Company.

Included in due to related parties totalling \$19,548 is \$1,415 due to companies with directors in common, \$15,000 due to directors and \$3,133 due to an officer of the Company.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

For the three months ended September 30, 2005 there were no significant non-cash transactions.

For the three months ended September 30, 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) Stock-based compensation of \$29,709.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FORM 51-102F1
November 28, 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 three months ended September 30, 2005 with those of the corresponding three months ended 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, November 28, 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 continued under the Business Corporations Act (British Columbia) 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 equity markets to raise the funds needed to continue exploration programs on its various property holdings.

The Company capitalizes all exploration and acquisition costs on a property-by-property basis. Mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. Mineral properties are written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. Mineral property sales proceeds or option payments received for exploration rights are treated as cost recoveries. The accumulated costs of properties that are developed to the stage of commercial production will be amortized to operations by unit-of-production depletion.

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

Subsequent to the quarter ended September 30, 2005, in November, 2005, the Company completed the first tranche of a private placement, issuing a total of 1,816,250 common shares for gross cash proceeds of \$145,300. The proceeds from the financing will be used for general working capital purposes.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORM 51-102F1

November 28, 2005

Results of Operations

The Company reports a loss of \$68,941 and cash outflows from operations of \$66,081 for the three months ended September 30, 2005 compared with a loss of \$162,986 and cash outflows from operations of \$296,284 for same three-month period in 2004. 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 three months ended September 30, 2005 totalled \$69,800 as compared to \$163,739 for the three months ended September 30, 2004. Expenses have decreased in the current three-month period of 2005 over the same three-month period of 2004. The decrease is largely attributable to costs associated with a reduction in exploration activity and an overall decrease in activity in the Company.

Consulting fees incurred decreased by approximately \$33,000 from 2004 to 2005 as the prior year's figures included monthly fees of \$4,000 paid to a company for consulting services and \$8,000 associated with the cost of general financing services. The consulting services were discontinued in December, 2004. The Company did not undertake any financings during the current quarter of 2005.

The Company recorded \$29,709 in stock-based compensation expense for the three months ended September 30, 2004 as compared to nil for the same period of 2005. Stock-based compensation expense is a non-cash charge allocated to consulting expense, representing the fair value of options granted to consultants.

The approximate \$7,600 in filing fees recorded in the previous year was associated with a financing. The Company did not undertake any such financings for the same period in the current year.

Investor relations have decreased by approximately \$10,000 from 2004 to 2005 due to a reduction in promotional activities during the current period.

Management fees were reduced by approximately \$11,000 during the current period as a result of the decrease in activity in the Company.

Exploration Activities and Property Expenditures

During the three months ended September 30, 2005, Cangold spent \$295,168 on exploration costs, recovered \$27,966 and received \$15,000 as consideration for a change in the area of mutual interest provision in the Thorn option agreement. During the same three-month period of the previous year, the Company spent \$373,759 on exploration costs, including option payments, recovered \$8,552 and received option payments of \$72,000.

The notes to the September 30, 2005 financial statements contain a schedule summarizing the total expenditures made on the properties.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORM 51-102F1

November 28, 2005

a) Birch Lake Property:

Recent Exploration Activities

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.

The primary exploration target on the Birch Lake Property is iron formation-hosted gold. Exploration will focus on areas of structural complexity that may be amenable to gold mineralization.

During the year ended June 30, 2005, the Company optioned the Birch Lake Property to Trade Winds Ventures Inc. ("Trade Winds"). In 2005, Trade Winds drilled 2,913 metres in the southeast portion of the Property, tracing a structural zone that is known to be gold-bearing further to the northwest. While Trade Winds has not furnished Cangold with results of the drilling, they terminated their option on the Property on August 31, 2005.

Management believes however, that the Birch Lake Property justifies further expenditures which will be required to fully test its potential.

b) Casummit Lake Property:

Recent Exploration Activities

The Casummit Lake Property consists of 101 claim units.

No field work was conducted on the Property during the year ended June 30, 2005 or during the three months ended September 30, 2005. Management believes however, that the Casummit Lake Property justifies further expenditures which will be required to fully tests its potential.

c) Thorn Property:

Recent Exploration Activities

The Thorn Property consists of 574 claim units.

An exploration program, begun in June, 2005 and completed in July, 2005, consisted of a comprehensive and integrated program of reconnaissance scale mapping, rock sampling and prospecting, contour soil and silt sampling, Induced Polarization ("IP") geophysics and diamond drilling.

A significant part of the 2005 program was tailored towards the evaluation of volcanic rocks adjacent to the Thorn Stock as recent age dating has revealed that these rocks may be affected by mineralizing events at the Thorn and are therefore a prospective host for high sulphidation mineralization. Field work focused on the margins of the Thorn Stock and the volcanic units, which are thought to be the source of the quartz-barite boulder discovered in 2004. Results indicated a suite of higher temperature alteration minerals typically associated with precious metal mineralization within a high sulphidation system. The findings are important in generating targets with the greatest potential for significant mineralization within this extensive area.

Previous exploration at the Thorn has demonstrated that IP geophysical surveying is an effective tool for targeting buried sulphide mineralization in this region. Untested portions of a large airborne resistivity low were covered by IP with the goal of identifying new anomalies that have the same signature as that reflecting Talisker Zone mineralization. The 2005 IP helped to further outline and define the Talisker Zone and located two new anomalies further north, the Balvenie and Cutty Sark Zones.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORM 51-102F1

November 28, 2005

A total of five diamond drill holes was completed. Two holes tested the continuity of the Talisker Zone with results from one hole indicating a high grade section comparable to the discovery hole drilled in 2004 and numerous other mineralized zones throughout the length of the hole. Results from the other hole indicated that the Talisker may split into two zones to the southwest. Two holes tested the new IP target at the Cutty Sark Zone with results indicating lithologically controlled alteration within volcanic rocks overlying the Thorn Stock, the first noted on the Thorn property. One hole tested the far eastern extent of the Balvenie Zone and intersected a narrow interval of silver-copper mineralization with minor gold.

Management believes that the Thorn Property justifies further expenditures which will be required to fully test its potential.

Summary of Quarterly Results

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

Quarter Ended	Revenue	Net income (loss)	Net income (loss) per share ⁽¹⁾
September 30, 2005	\$Nil	\$(68,941)	\$(0.01)
June 30, 2005	\$Nil	\$ 206,062	\$ 0.01
March 31, 2005	\$Nil	\$(91,565)	\$(0.01)
December 31, 2004	\$Nil	\$(340,908)	\$(0.01)
September 30, 2004	\$Nil	\$(162,986)	\$(0.01)
June 30, 2004	\$Nil	\$(233,873)	\$(0.01)
March 31, 2004	\$Nil	\$(184,587)	\$(0.01)
December 31, 2003	\$Nil	\$(176,851)	\$(0.01)

⁽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. Note 1 to the Company's September 30, 2005 financial statements further discusses the going concern issue. The financial statements do not include any adjustments that might result from these uncertainties.

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

Cash and Financial Conditions

The Company had a cash balance of \$304,524 at September 30, 2005 as compared to \$497,928 at June 30, 2005. The Company's financial instruments are all fully cashable at any time so there are no restrictions on availability of funds.

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The Company had working capital of \$301,395 as at September 30, 2005 compared with working capital of \$622,248 as at June 30, 2005. 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.

Investing Activities

During the three months ended September 30, 2005, the Company's cash outflows from investing activities was \$252,202, all of which was for exploration costs that were deferred, compared with cash outflows from investing activities of \$361,532 during the three months ended September 30, 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

As at September 30, 2005, Cangold had 52,364,316 common shares issued and outstanding.

On November 28, 2005, the Company closed the first tranche of a private placement. The Company issued 1,816,250 units at \$0.08 per unit for gross cash proceeds of \$145,300. Each unit consists of one common share and one non-transferable Series L share purchase warrant. Each Series L share purchase warrant entitles the holder to purchase, upon exercise, one further common share of the Company for \$0.10 per share until May 28, 2007. No finder's fees were paid.

Outstanding Share Data as at November 28, 2005

As at November 28, 2005, the Company has 54,180,566 common shares issued and outstanding, or 59,871,816 on a fully diluted basis. If the Company were to issue all 1,816,250 shares issuable upon the exercise of all warrants outstanding and all 3,875,000 shares issuable upon the exercise of all incentive stock options outstanding, it would raise approximately \$948,125.

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

Included in expenses are the following transactions with related parties totalling \$42,584:

- a) Paid or accrued consulting fees totalling \$1,280 to a company with a director in common and \$332 to an officer of the Company.
- b) Paid or accrued directors' fees totalling \$15,000 to directors of the Company.
- c) Paid or accrued management fees totalling \$7,320 to a company with a director in common.
- d) Paid or accrued office rent and administration costs totalling \$11,152 to a company with a director in common and \$7,500 to an officer of the Company.

Included in mineral properties are paid or accrued geological consulting costs totalling \$4,655 to an officer of the Company.

Included in due to related parties totalling \$19,548, is \$1,415 due to companies with directors in common, \$15,000 due to directors of the Company and \$3,133 due to an officer of the Company.