

FORM 52-109FV2

CERTIFICATION OF INTERIM FILINGS - VENTURE ISSUER BASIC CERTIFICATE

I, **Robert A. Archer, President and Chief Executive Officer of Cangold Limited**, certify the following:

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of **Cangold Limited** (the issuer) for the interim period ended **December 31, 2008**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: February 26, 2009

"Robert A. Archer"

Robert A. Archer
President and Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that the inherent limitations on the ability of the certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FORM 52-109FV2

CERTIFICATION OF INTERIM FILINGS - VENTURE ISSUER BASIC CERTIFICATE

I, **Raakel S. Iskanius, Chief Financial Officer of Cangold Limited**, certify the following:

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of **Cangold Limited** (the issuer) for the interim period ended **December 31, 2008**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: February 26, 2009

“*Raakel S. Iskanius*”

Raakel S. Iskanius
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that the inherent limitations on the ability of the certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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

CANGOLD LIMITED

Three and six months ended December 31, 2008 and 2007

MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CANGOLD LIMITED

Consolidated Balance Sheets
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	December 31, 2008	June 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 65,055	\$ 367,449
Marketable securities	23,750	101,500
Amounts receivable (note 4)	135,945	137,964
Prepaid expenses and advances	12,737	29,389
	<u>237,487</u>	<u>636,302</u>
Reclamation deposit	-	25,800
Equipment (note 6)	20,733	23,671
	<u>\$ 258,220</u>	<u>\$ 685,773</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 180,807	\$ 195,554
Due to related parties (note 8)	23,400	17,170
	<u>204,207</u>	<u>212,724</u>
Shareholders' equity:		
Capital stock (note 7)	9,738,492	9,727,992
Contributed surplus (note 7(c))	1,177,982	1,170,007
Accumulated comprehensive income (loss)	(122,250)	(44,500)
Deficit	(10,740,211)	(10,380,450)
	<u>54,013</u>	<u>473,049</u>
Continuing operations (note 1)		
Subsequent events (note 12)		
	<u>\$ 258,220</u>	<u>\$ 685,773</u>

See accompanying notes to the unaudited interim consolidated financial statements.

Approved on behalf of the Board:

"Robert A. Archer" Director

"Kaare G. Foy" Director

CANGOLD LIMITED

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

Three and six months ended December 31, 2008 and 2007

	Three months ended December 31,		Six months ended December 31,	
	2008	2007	2008	2007
Expenses:				
Amortization	\$ 1,420	1,852	2,938	\$ 3,904
Consulting	23,237	39,154	50,865	70,805
Director fees	18,750	18,750	37,500	37,500
Filing fees	2,511	-	7,592	7,367
Foreign exchange loss/(gain)	11,607	11,024	17,420	17,778
Investor relations/corporate development	12,369	24,589	31,767	47,785
Mineral property exploration expenditures (note 5)	14,249	232,627	131,770	348,548
General exploration expenses	110	84	4,194	6,953
Office and miscellaneous	8,148	6,893	13,176	16,464
Printing	1,660	4,477	1,660	5,488
Professional fees	22,660	24,474	41,155	29,498
Stock based compensation	7,975	114,300	7,975	114,300
Rent	5,468	5,038	10,892	9,988
Transfer agent fees	1,504	2,635	2,680	4,630
Travel	-	-	-	6,293
Loss before under noted	(131,668)	(485,897)	(361,584)	(727,301)
Interest income	421	13,171	1,823	18,209
Loss for period	(131,247)	(472,726)	(359,761)	(709,092)
Unrealized loss on marketable securities	(21,750)	-	(77,750)	(3,500)
Comprehensive loss for the period	(152,997)	(472,726)	(437,511)	(712,592)
Loss per share (note 2(k)), basic and diluted	(0.01)	\$(0.01)	(0.01)	\$(0.01)
Weighted average number of outstanding Common share	70,085,512	63,184,787	70,048,552	63,058,483

See accompanying notes to the unaudited interim consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Deficit
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

Three months and six months ended December 31, 2008 and 2007

	Three months ended December 31,		Six months ended December 31,	
	2008	2007	2008	2007
Deficit, beginning of period	(10,608,964)	(8,911,771)	(10,380,450)	(8,675,405)
Loss for the period	(131,247)	(472,726)	(359,761)	(709,092)
Deficit, end of the period	<u>\$ (10,740,211)</u>	<u>(9,384,497)</u>	<u>(10,740,211)</u>	<u>\$ (9,384,497)</u>

See accompanying notes to the unaudited interim consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

Three and six months ended December 31, 2008 and 2007

	Three months ended December 31,		Six months ended December 31,	
	2008	2007	2008	2007
Cash flows used in operating activities:				
Net loss for the period	\$ (131,247)	\$ (472,726)	\$ (359,761)	\$ (709,092)
Items not involving cash:				
Amortization	1,420	1,852	2,938	3,904
Stock-based compensation	7,975	114,300	7,975	114,300
Shares issued for mineral property acquisition	2,000	45,500	10,500	45,500
Changes in non-cash operating working capital:				
Accounts receivable	10,869	(24,930)	2,019	(37,804)
Prepaid expenses and advances	6,219	(1,135)	16,652	(4,376)
Accounts payable and accrued liabilities	40,967	43,568	(14,747)	91,111
Net cash used in operating activities	(61,797)	(293,571)	(334,424)	(496,457)
Cash flows from (used in) financing activities:				
Proceeds from release of reclamation deposit	25,800	-	25,800	-
Proceeds from exercise of warrants	-	-	-	4,500
Proceeds from exercise of options	-	-	-	30,000
Increase/(decrease) in due to related parties	8,400	7,436	6,230	8,178
Net cash from financing activities	34,200	7,436	32,030	42,678
Increase (decrease) in cash and cash equivalents	(27,597)	(286,135)	(302,394)	(453,779)
Cash and cash equivalent, beginning of period	92,652	543,109	367,449	710,753
Cash and cash equivalent, end of period	\$ 65,055	\$ 256,974	\$ 65,055	\$ 256,974

See accompanying notes to the unaudited interim consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

Three and six months ended December 31, 2008 and 2007

	Three months ended December 31,		Six months ended December 31,	
	2008	2007	2008	2007
Supplementary cash flow information:				
Interest income received	\$421	\$13,171	\$2,981	\$18,436

See accompanying notes to the unaudited interim consolidated financial statements.

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

1. NATURE AND CONTINUANCE OF OPERATIONS:

Cangold Limited (the "Company") was continued under the Business Corporation Act (Yukon) on March 17, 1997 and continued under the Business Corporations Act (British Columbia) on December 22, 2004.

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 in which the Company has an interest were in production at the balance sheet date and therefore, the Company has not generated revenue from these principal business activities.

Notwithstanding these continued losses and operating cash flow deficiencies, these 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. During the three months and six months ended December 31, 2008, the Company recorded a loss of approximately \$131,247 and \$359,761, respectively, and used cash for operations of approximately \$61,797 and \$334,424, respectively. As at December 31, 2008, the Company had an accumulated deficit of \$10,740,211 and a positive working capital balance of \$33,280.

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. It is anticipated that the Company will rely on the equity markets in the upcoming fiscal year to meet its financing needs, including funding future exploration activity.

2. SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Coboro Minerales de Mexico, S.A. de C.V. Significant inter-company balances and transactions are eliminated on consolidation.

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of these interim consolidated financial statements is based on accounting principles and practices consistent with those in the preparation of the Company's annual financial statements. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed or omitted.

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

These interim period consolidated financial statements should be read together with the 2008 audited annual consolidated financial statements and the accompanying notes included in the Company's 2008 annual report. In the opinion of the Company, these unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

3. RECENT ACCOUNTING PRONOUNCEMENTS:

(a) Goodwill and Intangible Assets:

Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation, and disclosure of goodwill and intangible assets. The standard is effective for interim and annual financial statements beginning January 1, 2009. The Company does not expect the adoption of this Section to have a significant effect on its financial statements.

(b) International Financial Reporting Standards ("IFRS"):

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. AMOUNTS RECEIVABLE:

	December 31, 2008	June 30, 2008
Value added tax recoverable	\$ 133,827	\$ 134,289
Other	2,118	3,675
	<u>\$ 135,945</u>	<u>\$ 137,964</u>

The Company, through its Mexican subsidiary, pays value added tax on the purchase and sale of goods and services at a rate of 15%. The net amount paid or payable is recoverable, but such recovery is subject to review and assessment by local tax authorities.

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

5. MINERAL PROPERTY EXPLORATION EXPENDITURES:

	Casummit (a)	Thorn (b)	Los Venados (c)	Plomo (d)	2009
Exploration expenditures:					
Option payments	\$ -	\$ -	\$ 18,855	\$ 11,769	\$ 30,624
Field costs	-	-	30,658	23,450	54,108
Drilling	-	-	-	-	-
Geology	-	-	7,298	24,798	32,096
Legal	-	-	-	-	-
Project Administration	-	-	5,984	8,958	14,942
Net expenditures					
during the period	-	-	62,795	68,975	131,770
Cumulative expenditures,					
beginning of period	1,176,657	1,979,941	443,446	657,970	4,258,014
Cumulative expenditures,					
end of period	\$ 1,176,657	\$ 1,979,941	\$ 506,240	\$ 726,945	\$ 4,389,784

(a) Casummit Lake property:

The Company has a 51% participating interest in, and is the operator of, a Joint Venture formed for the exploration and development of the Casummit Lake mining claims located in the Red Lake Mining Division, Northwestern Ontario. Under the terms of the Joint Venture, the operator proposes the exploration programs. The expenditures disclosed in the table above reflect only the Company's proportionate 51% interest in the Casummit Lake property. To date, the Company has initially incurred 100% of costs under exploration programs and recovered 49% of such costs from the 49% owner. No expenditures were incurred during the three months and six months ended December 31, 2008.

(b) Thorn property:

The Company had an undivided 51% interest in, and was the operator of, a Joint Venture formed for the exploration of the Check-Mate, Stuart and Thorn Claims which are situated in the Atlin Mining Division, Northwestern British Columbia. Under the terms of the Joint Venture, the operator proposed the exploration programs. The expenditures disclosed in the table above reflect only the Company's proportionate 51% interest in the Thorn property. The Company had initially incurred all 100% of costs under exploration programs and recovered 49% of such costs from the 49% owner.

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

5. MINERAL PROPERTY EXPLORATION EXPENDITURES (Continued):

The Company was 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 was supported by a term deposit held by the Company in the amount of \$25,800.

On April 11, 2008, the Company signed an agreement with Rimfire Minerals Corp. ("Rimfire") whereby Rimfire purchased Cangold's 51% interest in the Thorn Property in exchange for a cash payment of \$100,000 and 100,000 shares in Rimfire with a fair value of \$129,000. The Company is also entitled to 25% of any proceeds from the future sale or optioning of this property by Rimfire. Furthermore, the Company is to receive from Rimfire \$1,000,000 or 250,000 Rimfire common shares, at Rimfire's election, should the Thorn property be placed into commercial production while Rimfire owns at least 10% of the property. During the six months ended December 31, 2008, the site restoration reclamation deposit requirement was transferred to Rimfire Minerals Corp and the term deposit supporting the reclamation deposit requirement was released.

(c) Los Venados:

On July 13, 2007, the Company signed an option agreement to acquire a 100% interest in the Los Venados Property in Sonora, Mexico. The Company can acquire a 100% interest in the Los Venados property by making staged cash payments totaling \$250,000 (\$45,000 was paid as of December 31, 2008) and issuing 500,000 shares (250,000 shares issued as of December 31, 2008) over 5 years. The acquisition is subject to a 2% NSR, half of which can be purchased for \$500,000.

In consideration for the purchase, the Company must make further payments totaling \$205,000 and issue 250,000 shares as follows:

	2009	2010	2011	2012	Total
Cash payments	\$30,000	\$35,000	\$50,000	\$90,000	\$205,000
Share payments	50,000	50,000	50,000	100,000	250,000

(d) Plomo:

On November 9, 2007, the Company signed an option agreement to acquire a 100% interest in the Plomo Property in Sonora, Mexico. The Company can acquire a 100% interest in the Plomo property by making staged cash payments totaling \$100,000 (\$20,000 paid as of December 31, 2008) and issuing 700,000 shares (300,000 shares issued as of December 31, 2008) over 5 years, subject to a 2% NSR, half of which can be purchased for \$500,000. The Company also issued 500,000 warrants to the vendor priced at \$0.50 per share exercisable to December 16, 2008.

In consideration for the purchase, the Company must make further payments totaling \$80,000 and issue 400,000 shares as follows:

	2009	2010	2011	2012	Total
Cash payments	\$10,000	\$15,000	\$25,000	\$30,000	\$80,000
Share payments	100,000	100,000	100,000	100,000	400,000

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

6. EQUIPMENT:

	December 31, 2008	June 30, 2008
Canada		
Computer equipment	\$ 8,390	\$ 8,390
Field equipment	6,026	6,026
	14,416	14,416
Accumulated depreciation	(9,756)	(9,032)
	4,660	5,384
Mexico		
Field equipment	24,702	24,702
Accumulated depreciation	(8,629)	(6,415)
	16,073	18,287
	\$ 20,733	\$ 23,671

7. CAPITAL STOCK:

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued:

	Number of shares	Stated value
Balance, June 30, 2007	62,788,483	8,539,254
Exercise of stock options	300,000	67,333
Exercise of "M" warrants	434,167	65,125
Private placement at \$0.18 per unit, net of costs	6,053,072	1,010,780
Issue of shares pursuant to mineral property option agreements Los Venados and Plomo properties	350,000	45,500
Balance June 30, 2008	69,925,722	\$ 9,727,992
Issue of shares pursuant to mineral property option agreements Los Venados property	100,000	8,500
Issue of shares pursuant to mineral property option agreements Plomo property	100,000	2,000
Rounding difference (due to new transfer agent system)	23	-
Balance December 31, 2008	70,125,745	\$ 9,738,492

Included in issued capital stock are nil (June 30, 2008 – nil) 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 six month period ended December 31,

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

7. CAPITAL STOCK (continued):

2008 no escrow shares were released pursuant to the amendment to the escrow agreement, compared to 39,668 in the same period last year.

(c) Contributed surplus:

Balance, June 30, 2007	882,299
Reclassification to common shares on exercise of stock options	(22,333)
Warrants issued for financing services	11,800
<u>Stock-based compensation</u>	<u>298,241</u>
Balance, June 30, 2008	\$1,170,007
Balance, September 30, 2008	\$1,170,007
<u>Stock-based compensation</u>	<u>7,975</u>
Balance, December 31, 2008	<u>\$1,177,982</u>

(d) Warrants:

Series	Exercise price	Expiry date	June 30, 2008	Issued	Exercised	Expired	December 31, 2008
Purchase Warrants ⁽ⁱ⁾	0.50	Dec 16, 2009	500,000	-	-	-	500,000
Purchase Warrants	0.25	March 24, 2009	2,962,500	-	-	-	2,962,500
Purchase Warrants	0.25	March 24, 2009	465,090	-	-	-	465,090
			<u>3,927,590</u>	-	-	-	<u>3,927,590</u>

⁽ⁱ⁾ Note 5(d).

(e) Stock options:

Pursuant to the policies of the 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 2003 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 Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

7. CAPITAL STOCK (continued):

Exercise price	Expiry date	June 30, 2008	Granted	Cancelled/ expired	Exercised	December 31, 2008
\$0.11	September 21, 2008	100,000	-	(100,000)	-	-
0.30	January 14, 2009	1,125,000	-	(500,000)	-	625,000
0.16	September 7, 2009	200,000	-	-	-	200,000
0.12	March 29, 2010	1,700,000	-	(800,000)	-	900,000
0.15	May 7, 2011	50,000	-	(25,000)	-	25,000
0.15	May 3, 2012	300,000	-	(175,000)	-	125,000
0.15	December 20, 2012	650,000	-	(25,000)	-	625,000
0.15	December 20, 2009	440,000	-	-	-	440,000
0.15	December 31, 2009	150,000	-	-	-	150,000
0.15	April 30, 2013	2,175,000	-	(175,000)	-	2,000,000
		6,890,000	-	(1,800,000)	-	5,090,000
Weighted average exercise price		\$0.17	-	(\$0.18)	-	\$0.16

As at December 31, 2008, 5,090,000 options with a weighted average exercise price of \$0.16 (June 30, 2008 - \$0.17) were exercisable.

The weighted average fair value of options granted during the period was nil (Q2 FY08 - nil).

The average fair value per option was determined using the following weighted average assumptions:

	December 31, 2008	June 30, 2008
Risk-free interest rate	-	3.33%
Dividend yield	-	0%
Expected life	-	4.5 years
Volatility	-	76%

8. RELATED PARTY TRANSACTIONS:

Included in expenses are amounts totaling \$45,476 (Q2FY08 - \$44,438) for consulting, accounting, rent and office charged to the Company by officers, directors or companies controlled by the directors of the Company.

As at December 31, 2008, \$23,400 (June 30, 2008 - \$17,170) was due to officers and to a company controlled by a director of the Company.

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

9. CAPITAL MANAGEMENT:

The Company's objectives when managing capital are to:

- ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern,
- maintain adequate levels of funding to support the acquisition and exploration of mineral properties,
- maintain investor, creditor and market confidence to sustain future development of the business, and
- provide returns to shareholders and benefits for other stakeholders.

The properties in which the Company currently has an interest are in the exploration stage and as such, the Company is dependent on external financing to fund its activities. To undertake planned exploration, the Company plans to raise funds through equity financing.

The Company manages its capital in a manner that provides sufficient funding for operational activities. Annual capital and operating expenditure budgets, and rolling forecasts, are used to determine the necessary capital requirements. These budgets are approved by management and are updated for changes in the underlying assumptions, economic conditions and risk characteristics of the underlying assets, as necessary. In order to maintain or adjust the capital structure, the Company may secure funds through equity capital raised by way of private placements. For the three months and six months ended December 31, 2008, there were no changes in quantitative and qualitative data about the Company's objectives, policies and processes for managing capital as compared to the prior period.

Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of the items. The fair values of marketable securities are based on current bid prices at December 31, 2008.

For the three months and six months ended December 31, 2008, a fair value adjustment of (\$21,750) and (\$56,000), respectively, for marketable securities designated as available-for-sale has been recognized in other comprehensive loss. Available-for-sale financial assets are denominated in Canadian dollars. There were no disposals or impairment provisions during the current interim period.

11. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT:

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration program, and limited exposure to credit and market risks. There were no changes to the objectives or the process from the prior period.

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

11. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued):

The types of risk exposure and the way in which such exposures are managed are as follows:

(a) Concentration risk:

Concentration risks exist in cash and cash equivalents because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is a prime Canadian bank.

(b) Credit risk:

Credit risk primarily arises from the Company's cash and cash equivalents and amounts receivable. The risk exposure is limited to their carrying amounts at the balance sheet date. Cash and cash equivalents are held as cash deposits or invested in guaranteed investment certificates with various maturity dates. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank and the investment grade of the guaranteed investment certificates.

Amounts receivable primarily consist of value added tax recoverable ("VAT"). To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable. There is no indication at December 31, 2008 that the VAT will not be fully recoverable from Mexican authorities.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures there is sufficient capital to meet short term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of the assets, liabilities and cash flows. The Company prepares a cash flow and liquidity forecasts on a quarterly basis.

The Company's cash and cash equivalents are invested in guaranteed investment certificates which are available on demand to fund the Company's operating costs and other financial demands.

(d) Market risk:

The significant market risks to which the Company is exposed are currency and interest rate risk.

(i) *Currency risk*

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risk.

The majority of the Company's exploration costs are incurred in Mexico and are denominated in Mexican pesos or US dollars. The fluctuation of the US dollar and Mexican peso in relation to the Canadian dollar will consequently impact the loss of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

11. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued):

Comparative foreign exchange rates as at December 31, 2008 are as follows:

	December 31, 2008	June 30, 2008
MXN Peso to CDN Dollar	0.089	0.099
US Dollar to CDN Dollar	1.218	1.020

The Company has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions for the Mexican operations is not significant and therefore does not hedge its foreign exchange risk.

(ii) Interest rate risk

The Company's policy is to invest cash in guaranteed investment certificates at fixed or floating rates of interest and cash equivalents are to be maintained in floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. As at December 31, 2008, the interest rate on the term deposit was 2.75% which represents the prevailing market interest rate. Fluctuations in interest rates impact the value of cash and cash equivalents. The Company manages risk by monitoring changes in interest rates in comparison to prevailing market rates.

(iii) Sensitivity analysis

Based on historic trends over the last twelve months, volatilities in the above-noted market risks, and management's knowledge and experience in the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period.

- A parallel shift of +1%/-1% from the prevailing market interest rates on deposits of 2.75% as of December 31, 2008.
- Proportional foreign exchange movement of -10% (depreciation of CAD) and +10% (appreciation of CAD) against the USD, from the December 31, 2008 CAD to USD exchange rate of 0.821.
- Proportional foreign exchange movement of -10% (depreciation of CAD) and +10% (appreciation of CAD) against the Mexican peso, from the December 31, 2008 CAD to Mexican peso exchange rate of 11.296.

CANGOLD LIMITED

Notes to the Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
Three and six months ended December 31, 2008 and 2007

11. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued):

(iii) *Sensitivity analysis (continued)*

If these movements were to occur, the impact on the consolidated net loss for each category of financial instrument held at the balance sheet date is presented below.

	Carrying Amount	Interest Rate Risk ⁽¹⁾		Currency Rate Risk	
		-1%	+1%	-10%	+10%
		Income	Income	Income	Income
Financial assets					
Cash and cash equivalents ⁽¹⁾					
CAD	56,567	(566)	566	-	-
USD	4,512	(45)	45	501	(410)
Pesos	3,976	(40)	40	442	(361)
Amounts receivable					
Pesos	133,827	-	-	14,870	(12,166)
Financial liabilities					
Accounts payable and accrued liabilities					
USD	39,813	-	-	(4,424)	3,619
Pesos	292	-	-	(32)	27
Total Increase(Decrease)		(651)	651	11,357	(9,291)

(1) Cash and cash equivalents include a term deposit which is at a fixed interest rate.

12. SUBSEQUENT EVENT:

On February 17, 2009, the Company announced a non-brokered private placement financing of up to \$300,000 consisting of up to 6 million units at Cdn\$0.05 per unit. Each unit comprises one common share and one-half non-transferable share purchase warrant. Each full warrant entitles the holder to acquire, upon exercise, one additional common share at \$0.10 for a period of one year, provided, however, that should the closing price of the Company's shares on the TSX Venture Exchange be at least \$0.20 per share for 20 consecutive trading days (at any time at or following the expiry of the four month resale restriction period), the Company may, by notice to the holder reduce the remaining exercise period applicable to the warrants to not less than 30 days from the date of such notice.

CANGOLD LIMITED**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F1**

For the period ended December 31, 2008

This Management's Discussion and Analysis ("MD&A") prepared as of February 26, 2009, reviews the financial condition and results of operations of Cangold Limited ("Cangold" or "the Company") for the three and six month financial period ended December 31, 2008, and other material events up to the date of this report. The following discussion should be read in conjunction with the Company's June 30, 2008 annual audited consolidated financial statements and related notes together with Management's Discussion and Analysis and the unaudited interim consolidated financial statements and related notes for the period ended December 31, 2008.

The financial data included in the discussion provided in this report has been prepared in accordance with Canadian generally accepted accounting principles, and all dollar amounts are in Canadian dollars, unless otherwise noted.

DESCRIPTION AND OVERVIEW OF BUSINESS

Cangold Limited is an active resource exploration company listed on the TSX Venture Exchange, trading under the symbol "CLD".

The Company holds options to acquire a 100% interest in the Los Venados and Plomo properties located in Sonora, Mexico. The Company also maintains a 51% interest in a past-producing gold mine in northern Ontario, Canada.

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, the Company 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 and to meet its ongoing working capital requirements. Because of the magnitude of the expenditures needed to fund exploration programs, the Company also makes use of joint ventures to share the costs and risks associated with exploring some of its mineral properties.

RESULTS OF OPERATIONS

The Company reported a loss for the three months and six months ended December 31, 2008 of \$131,247 and \$359,761, compared to a loss of \$472,726 and \$709,092 for the same period in the prior year. Cash outflows from operations of \$61,797 and \$334,424 for the three and six months ended December 31, 2008 compared to cash outflows from operations of \$293,571 and \$496,457 for the same period in fiscal 2008. The decreased loss in the current period is attributed to lower overhead costs and mineral property expenditures compared to the first two quarters of fiscal 2008.

Due to the deteriorating global economic conditions, management has undertaken a plan to significantly reduce costs through a series of actions including, curtailing exploration activities and reducing overhead to the extent possible. As such, expenses in general have decreased during the three and six months ended December 31, 2008 compared to the same period in the prior year.

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.

EXPLORATION ACTIVITIES AND PROPERTY EXPENDITURES

During the six months ended December 31, 2008, the Company suspended all exploration activities on its two Mexican projects in order to preserve cash. As the stability of global financial markets is uncertain at this time, this suspension is indefinite, and the resumption of exploration will depend upon the condition of the equity markets. In the interim, Cangold has no expenditure obligations on any of its projects and intends to maintain the options in good standing.

a) Casummit Lake Property:

The Casummit Lake Property consists of 101 claim units and is located in the Red Lake Mining Division, Northwestern Ontario.

No field work was conducted on the Property during the six months ended December 31, 2008. Management believes however, that the Casummit Lake Property justifies further expenditures which will be required to fully test its potential.

b) Los Venados Property:

On July 13, 2007, the Company signed an Option Agreement to acquire a 100% interest in the Los Venados property contiguous with, and along strike from, the Mulatos Gold Mine in the prolific Sierra Madre gold belt of Sonora, Northern Mexico.

Los Venados lies within the emerging Mulatos gold mining district – a 15-20 kilometre long northwest trending belt of strong hydrothermal alteration and gold mineralization in Tertiary volcanic rocks within the Sierra Madre Mountains. The target at Los Venados is a multimillion ounce high sulphidation epithermal gold deposit amenable to open pit mining and heap leaching, similar to Alamos Gold Inc.'s (AGI: TSX) Mulatos gold deposit, which contains a global resource of 3.71 million ounces at a 0.5 g/t Au cut-off grade (Alamos Gold website). The southern boundary of the Los Venados claim is located within 1,500 metres of the Estrella open pit, which contains Proven & Probable Reserves of 31,900,000 tonnes at a grade of 1.64 g/t Au for a total of 1,683,000 ounces of gold.

The 3,200 hectare Los Venados claim is easily accessible by an all weather road, approximately 220 kilometres southeast of Hermosillo, and covers a large hydrothermal system where three zones of intense argillic alteration, silicification and gold mineralization have already been identified. The property has been subjected to very little historical work and initial grab sampling has yielded gold values ranging from 0.01 to 1.84 g/t.

Geological mapping and prospecting, and detailed sampling of the property commenced during the first quarter of fiscal 2008 with a diamond drilling program planned upon completion and analysis of the first phase of exploration.

During the second quarter of fiscal 2008, the Company announced a gold bearing zone had been discovered. Initial chip and grab sampling of silica vein material on the Duraznito Zone resulted in 20 of 35 samples returning significant gold values greater than 0.1 g/t, nine of the 20 assaying greater than 1.0 g/t and one sample assaying 50.9 g/t gold. The dimension of the area sampled to date is approximately 120 metres long by 65 metres wide.

The aforementioned samples were taken from multi-directional quartz vein swarms hosted along a contact between Tertiary age andesite tuff and porphyritic dacite volcanics. These units are host to more than four square kilometres of intense argillic and silica alteration which is presently being systematically mapped and sampled. Geological field evidence and initial PIMA analysis (to classify the argillic alteration) indicates that the alteration is high-sulphidation epithermal in nature, similar to that on the adjacent Mulatos Mine project.

The Company can acquire a 100% interest in the Los Venados property by making staged cash payments totalling \$250,000 (\$45,000 paid as of December 31, 2008) and issuing 500,000 shares (250,000 shares issued as of December 31, 2008) over 5 years. The acquisition is subject to a 2% Net Smelter Return, half of which can be purchased for \$500,000.

No field work was conducted on the Los Venados Property during the three and six months ended December 31, 2008. Management believes however, that the Property justifies further expenditures which will be required to fully test its potential.

c) Plomo Property:

On November 9, 2007, the Company signed an Option Agreement, through its Mexican subsidiary, to acquire a 100% interest in the Plomo property located within the Sonoran "Golden Triangle", a prolific gold belt extending through northern Sonora and into southern California and Arizona. Examples of gold deposits within this belt include La Herradura (Mexico's largest open pit gold mine), La Choya, and El Chanate in the Caborca region of northwestern Sonora, and Mesquite and Picacho in the Yuma area of southwestern Arizona and southeastern California.

The 4,279 hectare Plomo project lies within the Altar desert of northwestern Sonora, approximately 320 kilometres northwest of Hermosillo and 52 kilometres northwest of Caborca by paved highway. The eastern boundary of the Plomo claim is within 4 kilometres of the highway and access around the property is excellent via secondary all weather roads. Historical dry placer workings have been noted on the property.

Mapping and sampling on the Plomo property conducted during the second and third quarters of fiscal 2008 identified seven zones of gold mineralization within a northeast trending structural zone that is at least five kilometres long by three kilometres wide. Gold mineralization is related to quartz veining, with sericite and hematite alteration, in subsidiary north-south to northwest striking structures with modest to shallow southwest or northeast dips. The northeast structure is reflected by a distinct linear valley which in the past was the focus of dry placer gold exploitation.

From southwest to northeast six zones of gold mineralization have been named Banco de Oro, San Perfecto, Pavorreal (2 zones), San Crecencio, and Bonancita. The most recently discovered zone, called Culebra, is associated with the south bounding, NE trending, moderately NW dipping shear which presently defines the southeast side of the prospective area.

The Company completed a Phase I core drilling program on the Plomo project in September 2008. The objective of the first-pass drilling was to gain a better understanding of the structural control of the gold mineralization within the 5 by 3 kilometre structural corridor identified by surface mapping and sampling, and to look for areas where the flat-lying gold-bearing structures coalesce into a larger zone with resource potential.

The Phase 1 drilling program comprised 1,498.5 metres in 10 widely spaced holes. Targets tested in this program included the gold-bearing, altered, low angle structures of Banco de Oro (1 hole), Pavorreal (6 holes), San Perfecto (2 holes), and Bonancita (1 hole) zones. In most holes, the targeted structures were intersected as planned and, to some degree, were gold-bearing.

Hole SP08-001, drilled immediately below the Banco de Oro workings (up to 298.0g/t gold), did not intersect the structure, likely due to a fault offset. Drill holes SP08-002 and SP08-003 were drilled at San Perfecto. The low angle structural zones noted on surface were intersected and show variable intensity of fracturing, brecciation, chloritization, quartz veining, silicification and disseminated pyrite. SP08-002 intersected 4.0 metres grading 0.92g/t gold starting at 5.7 metres. SP08-003 was more intensely fractured and altered and intersected 11.65 metres grading 0.66g/t gold starting at 18.3 metres, including 2.28g/t over 2.0 metres. Drill intersections are believed to represent true widths.

Core holes SP08-004 to SP08-009 were drilled in the Pavorreal area and intersected wide sections of intense alteration. SP08-006 intersected 30 metres of well foliated rock with tourmaline and hematite-jarosite alteration but yielded no significant assays. Holes SP08-005 and SP08-008 intersected wide intervals of silicified, fractured, and pyritic diorite but contained only narrow intervals of gold mineralization with anomalous copper, lead and zinc (see table below). SP08-010 was drilled at Bonancita with the objective of hitting the very fractured/sheared pyritic zone observed on surface. It intersected 130 metres of sheared and crackle-brecciated andesite, with disseminated pyrite and sporadic brecciated quartz veins but returned no significant assays.

The Phase I widely spaced drilling at Plomo has demonstrated that the flat lying structures observed on

surface play an important role in localizing gold mineralization. It would appear that another set of controls, such as cross-cutting structures, is required in order to upgrade the gold. As such, detailed geological mapping and rock sampling continued in the San Perfecto area after the drilling was completed, with a particular effort towards identifying major structures, alteration types and geological units in order to better discern the spatial relationships and controls of the gold mineralization. This work continues to outline significant gold mineralization, over an area approximately 400 metres across, associated with tourmaline-sericite alteration, gossan, and low angle structures in diorite and granodiorite east of SP08-003. Of 21 new chip channel samples collected across veins, structures, and more intensely altered areas, 13 assayed greater than 0.3g/t gold, and of those 5 were greater than 1.0g/t gold.

At Pavorreal, where widespread gold was encountered in surface sampling yet no significant values encountered in the subsequent drilling, a similar program of detailed geological, alteration and structural mapping is proposed. A new compilation of all this data will then be used to generate new targets for future drilling.

Highlights of Phase I Drilling:

Drill Hole	From (m)	To (m)	Interval (m)	Au g/t
SP08-002	5.70	9.70	4.00	0.92
<i>including</i>	7.70	9.70	2.00	1.60
SP08-003	18.30	29.95	11.65	0.66
<i>including</i>	21.00	23.00	2.00	2.28
SP08-005	30.00	32.00	2.00	1.06
SP08-008	9.30	11.30	2.00	0.59

In a regional context, gold mineralization at the Plomo project is believed to be related to the Mojave-Sonora Megashear (MSM). The MSM is a northwest-trending left-lateral, strike slip fault zone up to 5 kilometres wide and extending for hundreds of kilometres through northern Sonora, southern California and Arizona, and is interpreted to transect the southwest corner of the Plomo Project area. Many of the gold mines and prospects in Sonora occur within or are adjacent to the boundary of this regionally extensive structure, including Mexico's largest gold mine, the Peñoles / Newmont La Herradura deposit, which lies 25 kilometres to the west of Plomo and contains a global resource of 104,063,824 tonnes averaging 0.84 g/t gold (Peñoles 2006 Annual Report). Other gold mines along the MSM include La Choya, and El Chanate in the Caborca region of north-western Sonora, and Mesquite and Picacho in the Yuma area of south-western Arizona and south-eastern California. The targets at Plomo are low grade, high-tonnage fault-related gold deposits amenable to open pit mining and heap leaching, similar to the aforementioned mines. The relationship of gold mineralization to flat-lying structures is typical of deposits within the MSM and the Company is encouraged by the confirmation of this relationship on the Plomo property.

The Company can acquire a 100% interest in the Plomo property by making staged cash payments totaling \$100,000 (\$20,000 paid as of December 31, 2008) and issuing 700,000 shares (300,000 shares issued as of December 31, 2008) over 5 years, subject to a 2% NSR, half of which can be purchased for \$500,000. The Company also issued 500,000 warrants to the vendor priced at \$0.50 and valid for a two-year period from the date of the signing of the agreement.

No field work was conducted on the Plomo Property during the three months ended December 31, 2008. Management believes however, that the 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⁾
December 31, 2008	\$Nil	\$(131,247)	\$(0.01)
September 30, 2008	\$Nil	\$(228,514)	\$(0.00)
June 30, 2008	\$Nil	\$(410,109)	\$(0.01)
December 31, 2007	\$Nil	\$(472,726)	\$(0.01)
September 30, 2007	\$Nil	\$(236,366)	\$(0.00)
June 30, 2007	\$Nil	\$(184,243)	\$(0.01)
September 30, 2007	\$Nil	\$(48,306)	\$(0.00)
December 31, 2006	\$Nil	\$(80,009)	\$(0.00)

⁽¹⁾ Diluted loss per share amounts would be the same as the basic loss per share as the dilutive factors would be anti-dilutive.

It is the nature of junior exploration companies that there are no sales or revenue. There can be significant variances in the Company's reported loss from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. Beginning in fiscal 2008, although there are no variations due to seasonality as the climate in Mexico is amenable to year round exploration, mineral property expenditures can vary from quarter to quarter depending on when option payments are due and the stage of the exploration program (e.g. drilling may slow down for a period of time while results are analyzed, resulting in lower costs during that period). Additionally, the granting of incentive stock options, which results in the recording of amounts for stock-based compensation can be quite large in relation to other general and administrative expenses incurred in any given quarter.

LIQUIDITY AND CAPITAL RESOURCES

Cangold does not have any 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 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 2008 audited financial statements further discusses the going concern issue. The financial statements do not include any adjustments that might result from these uncertainties.

The unaudited consolidated financial statements of the Company for the three and six months ended December 31, 2008 were prepared in accordance with GAAP applicable to a going concern which assumes that the Company will realize its assets, discharge its liabilities and meet its future obligations in the normal course of business. Accordingly, the financial statements do not include any adjustments to the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities that might be necessary should be the Company be unable to continue as a going concern.

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's cash and cash equivalents balance was \$65,055 at December 31, 2008 as compared to \$367,449 at June 30, 2008. 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 \$33,280 as at December 31, 2008 compared with working capital of \$423,578 as at June 30, 2008. Working capital, together with limited additional financing (see below under "Financing Activities"), should be adequate to fund the Company's activities and to cover corporate overhead for the current fiscal year.

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

Investing Activities

For the three and six months ended December 31, 2008, the Company had no cash outflows from investing activities (2007 - \$nil).

Financing Activities

As at December 31, 2008, Cangold had 70,125,745 common shares issued and outstanding. No shares were issued for cash during the three and six months ended December 31, 2008. However, the Company issued 100,000 shares at \$0.085 for the acquisition of the Los Venados property and issued 100,000 shares at \$0.02 for the acquisition of the Plomo property during the six months ended December 31, 2008.

On February 17, 2009, the Company announced a non-brokered private placement financing of up to \$300,000 consisting of up to 6 million units at \$0.05 per unit. Each unit comprises one common share and one-half non-transferable share purchase warrant. Each full warrant entitles the holder to acquire, upon exercise, one additional common share at \$0.10 for a period of one year, provided, however, that should the closing price of the Company's shares on the TSX Venture Exchange be at least \$0.20 per share for 20 consecutive trading days (at any time at or following the expiry of the four month resale restriction period), the Company may, by notice to the holder reduce the remaining exercise period applicable to the warrants to not less than 30 days from the date of such notice. The financing proceeds will be used for further property acquisition investigations, and for general working capital.

During the three and six month periods ended December 31, 2008, no warrants were exercised to purchase common shares (Q2 FY08 – \$4,500). During the three and six month periods ended December 31, 2008, no warrants were issued (Q2 FY08 – nil).

During the three and six month periods ended December 31, 2008, no options were exercised to purchase common shares (Q2 FY08 – \$30,000).

Shares outstanding

At the date of this MD&A, the Company had 70,125,745 common shares issued and had 3,927,590 warrants and 5,090,000 options outstanding.

Outlook

It is anticipated that in the foreseeable future, Cangold will rely on the equity markets to meet its financing needs. However, in light of the deteriorating global economic conditions, there is no assurance that working capital together with equity market financings will be adequate or viable to fund the Company's exploration activities and to cover corporate overhead for the next twelve months. As a result, management has undertaken a plan to significantly reduce costs through a series of actions including, curtailing exploration activities, reducing overhead, and considering other financing alternatives for its operations. Although there is no assurance the Company will be successful in these actions, management expects that it will be able to

secure the necessary financing and improvement in cash flows from operations to enable it to continue as a going concern.

While the financial statements for the three and six months ended December 31, 2008 were prepared on the basis of accounting principles applicable to a going concern, current market conditions including limited availability of financing cast substantial doubt upon the validity of this assumption.

Management reviews the approved work plans and budgets for the various exploration projects at regular intervals throughout the year and makes 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.

As noted above, subsequent to the quarter end, the Company announced a non-brokered private placement financing of up to \$300,000. The financing proceeds will be used for further property acquisition investigations, and for general working capital. The Company is currently looking to acquire a project that is in or close to production that would provide the Company with potential cash flow in the future.

TRANSACTIONS WITH RELATED PARTIES

Included in expenses are the following transactions with related parties totalling \$45,476:

- a) Paid or accrued consulting fees totalling \$4,200 to companies with a director in common.
- b) Paid or accrued consulting fees totalling \$27,000 to officers of the Company.
- c) Paid or accrued office rent and administration costs totalling \$14,276 to a company with a director in common.

As at December 31, 2008, \$23,400 (June 30, 2008 - \$17,170) was due to officers and to a company controlled by a director of the Company.

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles and requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the assumptions used in determining the fair value of non-cash stock-based compensation. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the first and second quarters of 2009.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these instruments. Due to their short-term nature, the fair values of these financial instruments approximate their carrying values, unless otherwise noted.

OFF-BALANCE SHEET ARRANGEMENTS

At the date of this report, the Company had no material off-balance sheet arrangements.

FORWARD-LOOKING STATEMENTS

Certain information set forth in this document includes forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including but not limited to: the execution and outcome of current or future exploration activities; information included or implied in the various independently produced and published technical reports; anticipated drilling and resource estimation plans; cash flow projections; currency fluctuations; and other general market and industry conditions.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive from them.

The Company disclaims any intention and assumes no obligation to update any forward-looking statements, even if new information becomes available, as a result of future events or for any other reason. Risks that could cause the Company's actual results to materially differ from its current expectations are described in this document.

ADDITIONAL SOURCES OF INFORMATION

Additional information relating to Cangold can be found on the SEDAR website at www.sedar.com or on the Company's website at www.cangold.ca.