

APPENDIX A
CERTIFICATION OF ANNUAL FILINGS
VENTURE ISSUER BASIC CERTIFICATE

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

1. **Review:** I have reviewed the annual financial statements and annual MD&A (together the annual filings) of **Cangold Limited** (the issuer) for the financial year ended **June 30, 2008**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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 annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: September 18, 2008

“Robert A. Archer”

Robert A. Archer
President and Chief Executive Officer

NOTE TO READER

In contrast to the certificate required under Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings (MI 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 MI 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 MI 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.

APPENDIX A
CERTIFICATION OF ANNUAL FILINGS
VENTURE ISSUER BASIC CERTIFICATE

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

1. **Review:** I have reviewed the annual financial statements and annual MD&A (together the annual filings) of **Cangold Limited** (the issuer) for the financial year ended **June 30, 2008**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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 annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: September 18, 2008

"Raakel S. Iskanius"

Raakel S. Iskanius
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required under Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings (MI 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 MI 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 MI 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.

Consolidated Financial Statements
(Expressed in Canadian dollars)

CANGOLD LIMITED

Years ended June 30, 2008 and 2007



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Cangold Limited as at June 30, 2008 and 2007 and the consolidated statements of operations and deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font. A horizontal line is drawn underneath the signature.

Chartered Accountants

Vancouver, Canada

August 22, 2008

CANGOLD LIMITED

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	June 30, 2008	June 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 367,449	\$ 710,753
Marketable securities	101,500	17,000
Amounts receivable (note 5)	137,964	9,094
Prepaid expenses and advances	29,389	9,301
	<u>636,302</u>	<u>746,148</u>
Reclamation deposit	25,800	25,800
Equipment (note 7)	23,671	30,866
	<u>\$ 685,773</u>	<u>\$ 802,814</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 195,554	\$ 53,804
Due to related parties (note 9)	17,170	2,862
	<u>212,724</u>	<u>56,666</u>
Shareholders' equity:		
Capital stock (note 8)	9,727,992	8,539,254
Contributed surplus (note 8(c))	1,170,007	882,299
Accumulated other comprehensive income (loss)	(44,500)	-
Deficit	(10,380,450)	(8,675,405)
	<u>473,049</u>	<u>746,148</u>
Continuing operations (note 1)		
Subsequent events (note 14)		
	<u>\$ 685,773</u>	<u>\$ 802,814</u>

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Robert A. Archer" Director

"Kaare G. Foy" Director

CANGOLD LIMITED

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

	2008	2007
Expenses:		
Amortization	\$ 7,195	\$ 1,669
Consulting	133,983	108,632
Director fees	80,704	60,000
Filing fees	8,976	9,801
Foreign exchange loss	14,330	438
Investor relations/corporate development	108,669	50,920
Mineral property exploration expenditures (note 6)	839,733	3,355
General exploration expenses	37,531	-
Office and miscellaneous	33,549	21,651
Printing	5,488	4,398
Professional fees	110,424	74,832
Stock based compensation (note 8)	298,241	45,561
Rent	21,375	17,068
Transfer agent fees	9,779	4,400
Travel	7,175	22,778
Loss before undernoted	(1,717,152)	(425,503)
Write down of marketable securities	-	(1,750)
Interest income	12,107	34,317
	12,107	32,567
Loss for the year	(1,705,045)	(392,936)
Deficit, beginning of year	(8,675,405)	(8,282,469)
Deficit, end of the year	\$ (10,380,450)	\$ (8,675,405)
Loss per share, basic and diluted	\$ (0.03)	\$ (0.01)
Weighted average number of outstanding Common shares	64,948,668	62,707,113

See accompanying notes to consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

	2008	2007
Loss for the year	\$ (1,705,045)	\$ (392,936)
Unrealized loss on marketable securities	(44,500)	-
Comprehensive loss for the year (note 3)	\$ (1,749,545)	\$ (392,936)

See accompanying notes to consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows used in operating activities:		
Loss for the year	\$ (1,705,045)	\$ (392,936)
Items not involving cash:		
Amortization	7,195	1,669
Stock-based compensation	298,241	45,561
Shares issued for mineral exploration expenditures	45,500	-
Share consideration on sale of mineral property interest	(129,000)	-
Write down of marketable securities	-	1,750
Changes in non-cash operating working capital:		
Amounts receivable	(128,870)	(2,807)
Prepaid expenses and advances	(20,088)	(5,288)
Accounts payable and accrued liabilities	141,750	28,887
Net cash used in operating activities	(1,490,317)	(323,164)
Cash flows from (used in) investing activities:		
Purchase of equipment	-	(29,826)
Reclamation deposit	-	7,000
Net cash from (used in) investing activities	-	(22,826)
Cash flows from (used in) financing activities:		
Proceeds from exercise of warrants	65,125	-
Proceeds from exercise of options	45,000	-
Proceeds from share issue	1,022,580	10,000
Due to related parties	14,308	(17,404)
Net cash from (used in) financing activities	1,147,013	(7,404)
Increase (decrease) in cash and cash equivalents	(343,304)	(353,394)
Cash and cash equivalents, beginning of year	710,753	1,064,147
Cash and cash equivalents, end of year	\$ 367,449	\$ 710,753

See accompanying notes to the consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended June 30, 2008 and 2007

	June 30 2008	June 30, 2007
Supplementary cash flow information:		
Interest income received	11,176	34,090
Non-cash financing and investing transactions:		
Warrants and options issued for financing fee	\$ 11,800	\$ -
Marketable securities received for mineral property consideration	\$ 129,000	-

See accompanying notes to the consolidated financial statements.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 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 years ended June 30, 2008 and 2007, the Company recorded a loss of approximately \$1,705,000 and \$393,000, respectively, and used cash for operations of approximately \$1,490,000 and \$323,000, respectively. As at June 30, 2008, the Company had an accumulated deficit of approximately \$10,380,000 compared with \$8,675,000 for the same period ending June 30, 2007. As at June 30, 2008, the Company had a working capital balance of \$423,578 compared with \$689,482 as of June 30, 2007.

The ability of the Company to continue as a going concern and to realize its assets and discharge its liabilities 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:

(a) 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.

(b) Use of estimates:

The preparation of the financial statements 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 could differ from these estimates.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

(c) Cash and cash equivalents:

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

(d) Marketable securities:

Marketable securities are carried at market value based upon quoted market prices (note 3). Prior to July 1, 2007, marketable securities were recorded at the lower of cost and quoted market value.

(e) Reclamation deposit:

Reclamation deposits are recorded at cost.

(f) Mineral properties:

The Company expenses, as incurred, periodic option payments related to mineral properties, exploration expenditures and administrative and land use costs incurred prior to commercial feasibility of mining operations being established. 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. If the Company owns an interest in a mineral property, exploration expenditures are recognized for only the Company's proportionate interest in the property.

Mineral property exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations are capitalized until the property to which they relate is placed into production, sold, abandoned or the exploration rights are allowed to lapse. Once commercial production has commenced, these accumulated costs will be amortized to operations by unit-of-production depletion based on proven and probable reserves. If a mineral property is abandoned or the mineral deposit proves to be uneconomical or it is determined otherwise that its carrying value cannot be supported by future production or sale, then previously capitalized costs are written down and charged against operations in the year of abandonment or in the year such determination of impairment is made.

Mineral property sales proceeds or option payments received for exploration rights are treated as cost recoveries.

(g) Equipment:

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

Equipment is assessed for future recoverability when events or conditions indicate that the carrying value of the asset may be impaired by estimating future undiscounted cash flows. When the net carrying amount of equipment exceeds its estimated net recoverable amount, the asset is written down to its fair value with a charge to operations.

(h) Stock-based compensation:

The Company grants stock options in accordance with the TSX Venture Exchange ("TSX-V") policies (note 8(e)).

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

The Company accounts for stock-based payments granted to non-employees after July 1, 2002 and employees after July 1, 2005 using the fair value based method. Under the fair value based method, compensation cost is measured at the fair value and charged to operations over the service period which normally is the period during which the options vest.

(i) Foreign currency translation:

The reporting and functional currency of the Company is the Canadian dollar. The functional currency of its Mexican subsidiary is also the Canadian dollar.

As the Company's Mexican subsidiary is dependent on funding from its parent, the temporal method of translating the foreign subsidiary accounts has been adopted. Under this method, monetary items denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in operations.

(j) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and tax loss carry forwards. Future income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to be recovered or settled.

The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is, in management's estimation, more likely than not to be realized.

(k) Asset retirement obligations:

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. The Company has no material asset retirement obligations as at June 30, 2008 and 2007.

(l) Loss per share:

Basic loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the reporting period. Diluted loss or earnings per share is computed similar to basic loss per share except that the weighted average number of common shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options or warrants were exercised and that the proceeds from such exercises were used to acquire shares of

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

common stock at the average market price during the reporting period. Diluted loss per share is the same as basic loss per share because the effect on the basic loss per share of outstanding options and warrants is anti-dilutive.

(m) Comparative figures:

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

3. CHANGES IN ACCOUNTING POLICIES:

Effective July 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

(a) Capital Disclosures:

Section 1535, *Capital Disclosures*, requires additional disclosures about the Company's capital and how it is managed. The additional disclosure includes quantitative and qualitative information regarding the Company's objectives, policies and processes for managing capital. The new disclosures are provided in note 11.

(b) Financial Instruments:

Section 3855, *Financial Instruments*, requires that all financial assets, except those classified as held-to-maturity, loans and receivables, are measured at fair value. All financial liabilities are measured at fair value when they are classified as held-for-trading; otherwise, they are measured at amortized cost. Investments classified as available-for-sale are reported at fair value (or marked to market) based on quoted market prices with non-other than temporary unrealized gains or losses recognized as other comprehensive income. Instruments classified as held-for-trading have gains or losses and available-for-sale instruments with other than temporary losses are included in earnings in the period in which they arise.

(c) Hedges:

Section 3865, *Hedges*, establishes standards for when and how hedge accounting may be applied. The Company has not designated any agreements as hedges.

(d) Comprehensive Income:

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income. Other comprehensive income represents changes in shareholders' equity during a period from transactions and other events arising from non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale. A fair value adjustment of \$44,500 relating to marketable securities has been recognized in other comprehensive income for the year ended June 30, 2008.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

3. CHANGES IN ACCOUNTING POLICIES (continued):

(e) Financial Instruments – Disclosure and Presentation:

Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*, replace Section 3861, *Financial Instruments – Disclosure and Presentation*, requiring disclosures of both qualitative and quantitative information on the nature and extent of risks arising from financial instruments to which the Company is exposed and how it manages those risks. The new disclosures are provided in notes 12 and 13.

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable, accounts payable and accrued liabilities and due to related parties.

Transaction costs are expensed as incurred for financial instruments designated as held-for-trading. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost, which includes loans and receivables and other financial liabilities.

Held-for-trading financial instruments include cash and cash equivalents and are initially and subsequently recorded at fair value. Unrealized gains and losses related to revaluations are recorded in net income for the period. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Available-for-sale financial assets include marketable securities and are initially and subsequently recorded at fair value. Unrealized gains and losses resulting from revaluation are included in other comprehensive income. When the assets are sold or an impairment write down is required, the accumulated fair value adjustments recognized in equity are included in the statement of operations. Financial assets that are non-derivatives and not classified in any of the other categories are classified as available-for-sale. Categories of regular way purchases and sales of financial assets are accounted for at the settlement date.

Loans and receivables include amounts receivable, and are initially measured at fair value and subsequently measured at amortized cost. Gains and losses resulting from revaluations, impairment write-downs and foreign exchange translation adjustments are recognized in net earnings for the period.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified in this category.

Other financial liabilities include accounts payable and accrued liabilities and due to related parties, are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method. Gains and losses resulting from revaluation and foreign exchange translation adjustments are recognized in net earnings for the period.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired using the following criteria:

- For available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the statement of operations.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

3. CHANGES IN ACCOUNTING POLICIES (continued):

- For loans and receivables, a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or delinquency in payments are considered indicators that a receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within general exploration expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognized as recoveries in the statement of operations.

4. 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 fiscal years beginning on or after 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 June 30, 2011. 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.

5. AMOUNTS RECEIVABLE:

	June 30, 2008	June 30, 2007
Value added tax recoverable	\$ 134,289	\$ 4,210
Other	3,675	4,884
	<u>\$ 137,964</u>	<u>\$ 9,094</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 Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

6. MINERAL PROPERTY EXPLORATION EXPENDITURES:

The continuity of expenditures on mineral properties for year ended June 30, 2008 is as follows:

	Casummit (a)	Thorn (b)	Los Venados (c)	Plomo (d)	2008
Exploration expenditures:					
Option payments	\$ -	\$ -	\$ 55,782	\$ 32,961	\$ 88,743
Field costs	-	-	168,862	217,288	386,150
Drilling	-	-	-	200,810	200,810
Geology	-	-	105,289	153,011	258,300
Legal	-	535	17,523	13,986	32,044
Project Administration	-	6,171	95,990	39,914	142,075
	-	6,706	443,446	657,970	1,108,122
Recovery of mineral property interest (note 6(b))	-	(229,000)	-	-	(229,000)
Recovery of exploration costs	-	(39,389)	-	-	(39,389)
	-	(261,683)	443,446	657,970	839,733
Cumulative expenditures, beginning of period	1,176,657	2,241,624	-	-	3,418,281
Cumulative expenditures, end of period	\$ 1,176,657	\$ 1,979,941	\$ 443,446	\$ 657,970	\$ 4,258,014

The continuity of expenditures on mineral properties for the year ended June 30, 2007 is as follows:

	Casummit (a)	Thorn (b)	Los Venados (c)	Plomo (d)	2007
Exploration expenditures:					
Project Administration	\$ -	\$ 3,355	\$ -	\$ -	\$ 3,355
Net expenditures					
during the year	-	3,355	-	-	3,355
Cumulative expenditures,					
beginning of period	1,176,657	2,238,269	-	-	3,414,926
Cumulative expenditures, end of period	\$ 1,176,657	\$ 2,241,624	\$ -	\$ -	\$ 3,418,281

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

6. MINERAL PROPERTY EXPLORATION EXPENDITURES (continued):

(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 years ended June 30, 2008 and 2007.

(b) Thorn property:

The Company has an undivided 51% interest in, and is 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 proposes the exploration programs. The expenditures disclosed in the table above reflect only the Company's proportionate 51% interest in the Thorn property. To date, the Company has initially incurred all 100% of costs under exploration programs and recovered 49% of such costs from the 49% owner.

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.

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. Subsequent to June 30, 2008, the site restoration reclamation deposit requirement was transferred to Rimfire Minerals Corp.

(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 (\$34,415 paid as of June 30, 2008) and issuing 500,000 shares (150,000 shares issued as of June 30, 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 \$215,000 and issue 350,000 shares as follows:

	2008	2009	2010	2011	2012	Total
Cash payments	\$10,000	\$30,000	\$35,000	\$50,000	\$90,000	\$215,000
Share payments	100,000	50,000	50,000	50,000	100,000	350,000

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

(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 (\$10,335 paid as of June 30, 2008) and issuing 700,000 shares (200,000 shares issued as of June 30, 2008) over 5 years. The Plomo Property is subject to a 2% NSR, half of which can be purchased for \$500,000. The Company also issued 500,000 warrants to the vendor warrants to purchase 500,000 common shares of the Company priced at \$0.50 per share exercisable to December 16, 2009.

In consideration for the purchase, the Company must make further payments totaling \$85,000 and issue 500,000 shares as follows:

	2008	2009	2010	2011	2012	Total
Cash payments	\$10,000	\$10,000	\$15,000	\$20,000	\$30,000	\$85,000
Share payments	100,000	100,000	100,000	100,000	100,000	500,000

7. EQUIPMENT:

	June 30, 2008	June 30, 2007
Canada		
Computer equipment	\$ 8,390	\$ 12,926
Field equipment	6,026	6,026
	14,416	18,952
Accumulated depreciation	(9,032)	(11,759)
	5,384	7,193
Mexico		
Field equipment	24,702	24,702
Accumulated depreciation	(6,415)	(1,029)
	18,287	23,673
	\$ 23,671	\$ 30,866

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

8. CAPITAL STOCK:

(a) Authorized:
Unlimited number of common shares without par value

(b) Issued:

	Number of shares	Stated value
Balance, June 30, 2006	62,688,483	\$ 8,529,254
Exercise of "L" warrants	100,000	10,000
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 ⁽ⁱ⁾	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

⁽ⁱ⁾ On March 25, 2008, the Company issued 5,925,000 units at \$0.18 per unit for gross proceeds of \$1,066,500. Each unit comprises one common share and one-half of one non-transferable share purchase warrant. Each full warrant entitles the holder to acquire, upon exercise, one additional common share at \$0.25 until March 24, 2009, provided, however, that should the closing price of the Company's shares on the TSX Venture Exchange be at least \$0.35 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 (supplemented by a news release of general dissemination) reduce the remaining exercise period applicable to the warrants to not less than 30 days from the date of such notice.

The Company paid cash finder's fees totalling \$43,920, issued 128,072 finder's shares and issued 465,090 finder's warrants. The finder's warrants have the same attributes as the warrants described above. All securities issued and issuable under the private placement are subject to hold periods expiring on July 26, 2008.

Included in issued capital stock are nil (June 30, 2007 – 79,336) common shares held in escrow. The Company filed an Amendment to the Escrow Agreement dated December 21, 2001 whereby the escrow shares will be released over a 72-month time period. During the year ended June 30, 2008, 79,336 escrow shares were released pursuant to the amendment to the escrow agreement, compared to 79,336 during the year ended June 30, 2007.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

8. CAPITAL STOCK (continued):

(c) Contributed surplus:

Balance, June 30, 2006	\$ 836,738
Stock-based compensation	45,561
Balance, June 30, 2007	882,299
Reclassification to common shares on exercise of stock options	(22,333)
Warrants issued for financing services	11,800
Stock-based compensation	298,241
Balance, June 30, 2008	\$1,170,007

(d) Warrants:

The continuity of share purchase warrants for 2008 is as follows:

Series	Exercise price	Expiry date	June 30, 2007	Issued	Exercised	Expired	June 30, 2008
Series "M"	0.15	Apr 26, 2008	6,666,667	-	(434,167)	(6,232,500)	-
Purchase Warrants ⁽ⁱⁱ⁾	0.50	Dec 16, 2009	-	500,000	-	-	500,000
Purchase Warrants ⁽ⁱ⁾	0.25	March 24, 2009	-	2,962,500	-	-	2,962,500
Purchase Warrants ⁽ⁱ⁾	0.25	March 24, 2009	-	465,090	-	-	465,090
			6,666,667	3,927,590	(434,167)	(6,232,500)	3,927,590

⁽ⁱ⁾ Note 8(b)(i).

⁽ⁱⁱ⁾ Note 6(d).

The continuity of share purchase warrants for 2007 is as follows:

Series	Exercise price	Expiry date	June 30, 2006	Issued	Exercised	Expired	June 30, 2007
Series "L"	0.10	May 28, 2007	100,000	-	(100,000)	-	-
Series "M"	0.15	Apr 26, 2008	6,666,667	-	-	-	6,666,667
			6,766,667	-	(100,000)	-	6,666,667

(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-

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
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8. CAPITAL STOCK (continued):

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 determined 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.

Exercise price	Expiry date	June 30, 2007	Granted	Cancelled/ expired	Exercised	June 30, 2008
\$0.16	October 29, 2007	430,000	-	(430,000)	-	-
0.15	April 22, 2008	1,330,000	-	(1,330,000)	-	-
0.11	September 21, 2008	100,000	-	-	-	100,000
0.30	January 14, 2009	1,125,000	-	-	-	1,125,000
0.16	September 7, 2009	200,000	-	-	-	200,000
0.12	March 29, 2010	1,700,000	-	-	-	1,700,000
0.17	April 30, 2008	200,000	-	(200,000)	-	-
0.15	May 7, 2011	500,000	-	(350,000)	(100,000)	50,000
0.15	August 2, 2007	150,000	-	-	(150,000)	-
0.15	May 3, 2012	500,000	-	(150,000)	(50,000)	300,000
0.15	December 20, 2012	-	650,000	-	-	650,000
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	-	-	2,175,000
		6,235,000	3,415,000	(2,460,000)	(300,000)	6,890,000
Weighted average exercise price		\$0.17	\$0.15	(\$0.15)	(\$0.15)	\$0.17

The continuity of common share stock options for 2007 is as follows:

Exercise price	Expiry date	June 30, 2006	Granted	Cancelled/ expired	Exercised	June 30, 2007
\$0.13	November 3, 2006	50,000	-	(50,000)	-	-
0.13	December 1, 2006	340,000	-	(340,000)	-	-
0.16	October 29, 2007	430,000	-	-	-	430,000
0.15	April 22, 2008	1,330,000	-	-	-	1,330,000
0.11	September 21, 2008	100,000	-	-	-	100,000
0.30	January 14, 2009	1,125,000	-	-	-	1,125,000
0.16	September 7, 2009	200,000	-	-	-	200,000
0.12	March 29, 2010	1,700,000	-	-	-	1,700,000
0.17	April 30, 2008	200,000	-	-	-	200,000
0.15	May 7, 2011	500,000	-	-	-	500,000
0.15	August 2, 2007	-	150,000	-	-	150,000
0.15	May 3, 2012	-	500,000	-	-	500,000
		5,975,000	650,000	(390,000)	-	6,235,000
Weighted average exercise price		\$0.17	\$0.15	(\$0.13)	-	\$0.17

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
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8. CAPITAL STOCK (continued):

As at June 30, 2008, 6,890,000 options with a weighted average exercise price of \$0.17 (June 30, 2007 - \$0.17) were exercisable. The weighted average fair value of options granted during the period was \$0.09 (June 30, 2007 - \$0.15).

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

	June 30, 2008	June 30, 2007
Risk-free interest rate	3.33%	4.10%
Dividend yield	0%	0%
Expected life	4.5 years	4 years
Volatility	76%	83%

9. RELATED PARTY TRANSACTIONS:

The year ended June 30, 2008 included expenses totaling \$149,090 (June 30, 2007 - \$105,643) for consulting, accounting, rent and office charged to the Company by officers, directors or companies controlled by the directors of the Company. The Company received a loan in the amount of \$20,000 (June 30, 2007 - \$nil) from an officer of the Company which was subsequently repaid during the year ended June 30, 2008.

As at June 30, 2008, \$17,170 (June 30, 2007 - \$2,862) was due to an officer and to a company controlled by a director of the Company.

10. INCOME TAXES:

Income tax recovery differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of approximately 32.81% to the loss before income taxes. The reasons for the differences are as follows:

	June 30, 2008	June 30, 2007
Net income (loss) before tax	\$ (1,744,434)	\$ (392,936)
Canadian income tax rate	32.81%	34.16%
Computed tax recovery	\$ (572,349)	\$ (133,227)
Financing costs deductible for tax purposes	(21,341)	(54,154)
Non-deductible capital items and other	60,062	16,695
Benefit of current year losses not recognized	375,721	147,236
Resource adjustment	-	23,450
Difference in tax rates	157,907	-
Income tax recovery	\$ -	\$ -

At June 30, 2008, the Company had operating losses of \$3,319,000 (2007 - \$2,119,000) and capital loss carryforwards of \$1,827,000 (2007 - \$1,827,000). The operating losses at June 30, 2008 include \$2,662,000 (2007 - \$2,119,000) in Canada and \$657,000 (2007 - \$nil) in Mexico. The capital losses are without expiry, and the operating losses expire at various dates to 2028.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
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As at June 30, 2008 and 2007, the tax effect of the significant components within the Company's future tax asset is as follows:

	2008	2007
Future tax assets:		
Non-capital loss carry forwards	\$ 791,891	\$ 646,438
Net capital loss carry forwards	474,362	557,096
Mineral properties	685,195	871,586
Foreign resource pools	162,861	191,048
Financing costs	26,434	80,286
Other	20,337	12,767
Total future tax assets	2,161,080	2,359,221
Valuation allowance	(2,161,080)	(2,359,221)
Future tax assets, net of allowance	\$ -	\$ -

Management believes that it is not more likely than not that it will create sufficient taxable income to realize its future tax assets. As a result, a full valuation allowance has been recognized.

A new tax in Mexico, referred to as a "Flat Tax", was enacted in 2007 and came into effect on January 1, 2008. The Flat Tax is an alternative minimum tax. Taxpayers are required to pay the higher of the amount due under income tax or flat tax. The tax basis of fixed assets is significantly reduced and tax losses originating from prior years are not deductible under Flat Tax, which is applicable for the Company.

11. 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, during the financial period ended June 30, 2008, the Company raised \$1,022,580 through a non-brokered private placement.

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 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 year ended June 30, 2008, there were no changes in quantitative and qualitative data

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2008 and 2007

11. CAPITAL MANAGEMENT (continued):

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.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of the items.

For the year ended June 30, 2008, a fair value adjustment of (\$44,500) for marketable securities designated as available-for-sale has been recognized in other comprehensive loss. The fair values of marketable securities are based on current bid prices at June 30, 2008. Available-for-sale financial assets are denominated in Canadian dollars. There were no disposals or impairment provisions during the current year.

13. 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.

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

(a) Concentration risk:

Concentration risk exists 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 consists 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 June 30, 2008 that the VAT will not be fully recoverable from Mexican authorities.

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

(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.

Comparative foreign exchange rates as at June 30, 2008 are as follows:

	June 30, 2008	June 30, 2007
MXN Peso to CDN Dollar	0.099	0.099
US Dollar to CDN Dollar	1.020	1.063

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 June 30, 2008, interest rates on guaranteed investment certificates ranged from 2.25% to 2.75% which represent the prevailing market interest rates. Fluctuations in interest rates impact the value of cash and cash equivalents. The

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
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13. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued):

(ii) Interest rate risk (continued)

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 2.5% as of June 30, 2008.
- Proportional foreign exchange movement of -10% (depreciation of CAD) and +10% (appreciation of CAD) against the USD, from the June 30, 2008 CAD to USD exchange rate of 0.981.
- Proportional foreign exchange movement of -10% (depreciation of CAD) and +10% (appreciation of CAD) against the Mexican peso, from the June 30, 2008 CAD to Mexican peso exchange rate of 10.116.

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%
Financial assets					
Cash and cash equivalents ⁽¹⁾					
CAD	\$ 294,103	\$ (2,941)	\$ 2,941	\$ -	\$ -
USD	12,977	(130)	130	1,442	(1,180)
Pesos	60,369	(60)	60	6,708	(5,488)
Amounts receivable					
Pesos	134,289	-	-	14,921	(12,208)
Financial liabilities					
Accounts payable and accrued liabilities					
USD	101,422	-	-	(11,269)	9,220
Pesos	5,456	-	-	(606)	496
Total Increase (Decrease)	\$ -	\$ (631)	\$ 631	\$ (10,367)	\$ 8,483

(1) Cash and cash equivalents include guaranteed investment certificates which are at fixed and floating interest rates.

14. SUBSEQUENT EVENTS

As a result of the sale of its 51% interest in the Thorn Property to Rimfire Minerals Corp., the Company is no longer obligated to maintain a reclamation deposit under the regulations of the BC Mines Act. Subsequent to June 30, 2008, the reclamation deposit requirement of \$25,800 has been transferred to Rimfire Minerals Corp. and the term deposit will be converted to cash.

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

For the year ended June 30, 2008

This Management's Discussion and Analysis ("MD&A") prepared as of September 16, 2008, reviews the activities of Cangold Limited ("Cangold" or "the Company") for the year ended June 30, 2008 and other material events up to the date of this report. The following information should be read in conjunction with the Company's June 30, 2008 annual audited consolidated financial statements and related notes.

The financial data included in the discussion provided in this report has been prepared in accordance with Canadian generally accepted accounting principles. 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 an interest in one precious and base metal exploration property 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, Cangold has accessed, and in the future will continue to access, the equities markets to raise the funds needed to continue exploration programs on its various property holdings 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.

SELECTED ANNUAL INFORMATION

	<i>2008</i>	<i>2007</i>	<i>2006</i>
Net sales or total revenue	Nil	Nil	Nil
General and administrative expenses (excluding stock-based compensation and mineral property exploration expenses)	\$ 579,178	\$ 376,587	\$ 289,704
Stock-based compensation	298,241	45,561	231,176
Mineral exploration expenses	1,108,122	3,355	394,928
Director fees	80,704	60,000	60,000
Write-down of short-term investments	-	1,750	10,750
Loss for the year	1,705,045	392,936	918,227
Loss per share (weighted average)	0.03	0.01	0.02
Comprehensive loss for the year	1,749,095	392,936	918,227
Cash and cash equivalents	367,449	710,753	1,064,147
Total assets	685,773	802,814	1,128,706
Total liabilities	212,724	56,666	45,183
Working capital	\$ 423,578	\$ 689,482	\$ 1,048,014

RESULTS OF OPERATIONS

The Company reported a loss of \$1,705,045 and cash outflows from operations of \$1,590,317 for the year ended June 30, 2008 compared with a loss of \$392,936 and cash outflows from operations of \$323,164 for same twelve-month period in 2007. The increased loss in the current fiscal year can be attributed to the increased exploration expenditures on two exploration properties in Mexico.

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

For the year ended June 30, 2008

Consulting costs for the year were \$133,983 compared to \$108,632 in the twelve months ended June 30, 2007. This \$25,351 increase is primarily a result of planning and supervision with respect to the Los Venados and Plomo properties in Mexico.

Directors' fees for the year were \$80,704 compared to \$60,000 for the twelve months ended June 30, 2007. This increase of \$20,704 is primarily due to appointing an additional director at the beginning of the year ended June 30, 2008.

The Company incurred a foreign exchange loss of \$14,330 and \$438, respectively for the year ended June 30, 2008 compared to the same period in 2007. The Mexican properties were acquired during fiscal 2008. Prior to 2008, the Company had little exposure to foreign currency fluctuations. The Canadian dollar strengthened relative to the Mexico peso during the fiscal year. As such, a foreign exchange loss was incurred on the revaluation of the Mexican subsidiary's monetary assets and liabilities at the current exchange rate at year end.

The Company incurred investor relations and corporate development costs of \$108,669 for the twelve months ended June 30, 2008 compared to \$50,920 for the twelve months ended June 30, 2007. This increase is a result of the Company's continuing efforts to increase its profile in the investor community.

The Company incurred \$839,733 in mineral property exploration expenditures during the year ended June 30, 2008 compared to \$3,355 in the same period in 2007. The table in note 6 to the audited consolidated financial statements for the year summarizes the costs by property and type of expenditure. These expenditures are net of a mineral property exploration cost recovery of \$39,389 during the year ended June 30, 2008. The Company also realized a \$229,000 recovery of a mineral property interest during the year ended June 30, 2008 due to the sale of the 51% interest of the Thorn Property. See "Exploration Activities and Property Expenditures" section below for details.

The Company incurred general exploration expenses of \$37,531 for the twelve months ended June 30, 2008, compared to \$nil during the same period in 2007. The majority of these costs were for due diligence relating to the acquisition of the Plomo Property as well as administration related to exploration.

Professional fees for the year were \$110,424 compared to \$74,832 for the twelve months ended June 30, 2007. This increase was a result of additional legal, accounting and audit-related fees incurred due to an increase in the operating activities of the Company together with the added complexity of operating a Mexican subsidiary.

There was a substantial increase in stock-based compensation, a non-cash charge, from \$45,561 in 2007 to \$298,241 in 2008. The increase is due to stock option grants during the year.

Interest income was \$12,107 for the year compared to \$34,317 for the previous period. This decrease in interest income is a result of the decrease in funds held in deposit.

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.

The Company had very little activity during the fourth quarter of fiscal 2007. The above explanations of annual year over year changes are largely the same for the fourth quarter.

Exploration Activities and Property Expenditures

The notes to the June 30, 2008 audited financial statements contain a schedule summarizing the total expenditures made on the properties.

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 year ended June 30, 2008. However, Management believes that the Casummit Lake Property justifies further expenditures to fully test its potential.

b) *Thorn Property:*

The Thorn Property consists of 574 claim units and is located in the Atlin Mining Division, Northwestern British Columbia.

No field work was conducted on the Property during the year ended June 30, 2008.

On April 11, 2008, Rimfire Minerals Corp. ("Rimfire") purchased Cangold's 51% interest in the Thorn Property. The terms of the sale included payment by Rimfire to Cangold of \$100,000 and issuance of 100,000 shares of Rimfire (which were valued at \$129,000 as at the transaction date) to Cangold upon signing, and for Cangold to receive 25% of any cash payments and share issuances resulting from the future option and/or sale of the property to a third party. In addition, Cangold will receive \$1,000,000 or 250,000 Rimfire shares (at Rimfire's election) should the property be placed into commercial production while Rimfire owns at least 10% of the property.

(c) *Los Venados:*

On July 13, 2007, the Company signed an option agreement to acquire a 100% interest in the Los Venados property contiguous with, and long 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 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 by Cangold 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 has 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-sulfidation 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 totaling CDN\$250,000 (CDN\$34,415 paid as of June 30, 2008) and issuing 500,000 shares (150,000 shares issued as of June 30, 2008) over 5 years. The acquisition is subject to a 2% NSR, half of which can be purchased for CDN\$500,000.

(d) *Plomo Property:*

On November 9, 2007, the Company signed an option agreement 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 Arizona and southeastern California.

The 4,279 hectare Plomo project lies within the Altar desert of north-western Sonora, approximately 320 kilometres northwest of Hermosillo, Sonora. It is easily accessible 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 and, to date, three zones of alteration and mineralization have been located in outcrop. Two have past gold mining activity along low angle shears. The third area has extensive and strongly micro-fractured and brecciated quartz float and outcrop with hematite and rare copper staining that has been traced for approximately 1.5 kilometres by approximately 300 metres wide.

The Mojave-Sonora Megashear (MSM), a northwest-trending left-lateral, Jurassic, strike slip fault zone extending for hundreds of kilometres through northern Sonora, is interpreted to transect the project area. Many of the gold mines and prospects in Sonora occur within or are adjacent to the boundary of this regionally extensive structure. The target at Plomo is a low grade, high-tonnage fault-related gold deposit amenable to open pit mining and heap leaching, similar to the Peñoles/Newmont La Herradura gold deposit which lies 75 kilometres to the northwest and contains a global resource of 104,063,824 tonnes averaging 0.84 g/t gold (Peñoles 2006 Annual Report). The MSM, a mylonitic zone up to 5 kilometres wide, hosts many zones of mesothermal gold mineralization thought to have extensive strike length and related parallel zones.

Ongoing mapping and sampling on the Plomo property conducted during the second, third, and fourth quarters of fiscal 2008 have 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 gold mineralization at Banco de Oro is related to brecciated quartz veins hosted in foliated sericitized rhyolite at the intersection of a low angle northwest striking fault with a northeast trending strike-slip fault. Historic, small scale mine workings extend over 70 metres and of the 36 samples taken to date, the vast majority is anomalous in gold. Initial rock chip sampling across the low angle fault in this area returned 298.0g/t Au over 2.35 metres, 15.1g/t Au over 0.65 metres, 14.5g/t Au over 0.80 metres and 11.0g/t Au over 0.60 metres, while 7 other samples assayed higher than 1.0g/t Au and an additional 7 returned grades above 0.1g/t Au. Copper oxides have also been noted at Banco de Oro, filling or staining the strike slip faults, with the same 36 samples assaying up to 0.53% copper.

The San Perfecto area hosts structurally related stockwork zones, in andesite and fine grained diorite, formed by the intersections of northwest oriented low and high angle fractures and east-northeast oriented faults. Initial grab and chip sampling returned up to 3.32g/t Au over 0.80 metres, with 13 of 29 rock samples assaying more than 0.1g/t Au and most are also strongly anomalous in copper. The areal extent of San Perfecto is still being evaluated but mineralization and alteration have been noted over one kilometre in a northwest orientation.

The Pavorreal structure is hosted in fine grained diorite and is approximately one kilometre long, northwest-trending with a moderate dip. Sericite, hematite, quartz tourmaline breccias, clays and brecciated quartz veins can be traced along the structure and are locally copper stained. In the north portion, preliminary sampling returned 4.82g/t Au in a grab sample and 2.65g/t over 2.0 metres in a chip channel sample. To the south, quartz tourmaline breccias are found to be anomalous in gold, with the only sample to date returning 0.11g/t Au.

A new zone of gold mineralization, within the Pavorreal area, is located between the Pavorreal and San Perfecto structures, and has been mapped along a 600 metre trend with widths to 100 metres. The Pavorreal gold mineralization is associated with gossanous, sericitic, schistose andesite with local quartz-tourmaline-hematite breccias, related to a series of parallel NW trending low angle NE dipping shears (thrusts?). Initial rock sampling along the new structures included values to 10.8g/t gold (grab sample) and 5.82g/t gold over 2.0 metres, with 13 of the 25 samples taken assaying >0.3g/t gold.

At San Crecencio, a northwest oriented zone of quartz veining, with sericite and hematite alteration, is presently being geologically mapped and sampled. Initial sampling has returned locally anomalous results that are being followed up with more detailed investigations.

On the Bonancita zone a grid has been established over a 550 by 550 metre area containing both north-south and northwest trending quartz vein swarms and associated alteration. A chip sampling program of all outcropping areas has been initiated. Gold mineralization appears to be closely related to quartz veining and sheared andesite with disseminated oxidized pyrite. Initial assay results have returned up to 2.53g/t Au over 5.0 metres in chip channel samples and up to 7.62g/t Au in grab samples. Overall, 51% of the 171 samples taken to date on the Bonancita grid are considered anomalous in gold.

The Culebra zone is an 800 metre long by 300 metre wide gossan along the sheared contact between andesite and a monzonite intrusion. Historic workings contain secondary copper mineralization, and sampling has demonstrated the presence of gold. Initial rock sampling returned values to 4.28g/t gold and 0.21% copper over 0.85 metres, 0.25g/t gold and 3.43% copper (grab sample) and 0.93g/t gold and 1.65% copper over 3.0 metres. Of the initial 25 rock chip samples, gold was >0.3g/t in 9 samples, while copper was >1% in 13 of 25 samples.

As part of the Company's efforts to quickly advance the Plomo project, a Phase I diamond drilling program, comprising approximately 1,500 metres in 9 holes, commenced on the property in March 2008. The Company completed the Phase I core drilling program on the Plomo Project during the fourth quarter. 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

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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.

The Company can acquire a 100% interest in the Plomo property by making staged cash payments totaling CDN\$100,000 (CDN\$10,335 paid as of June 30, 2008) and issuing 700,000 shares (200,000 shares issued as of June 30, 2008) over 5 years, subject to a 2% NSR, half of which can be purchased for CDN\$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.

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SUMMARY OF QUARTERLY RESULTS

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

Quarter Ended	Revenue	Net income (loss) ⁽²⁾	Net income (loss) per share ⁽¹⁾⁽²⁾
June 30, 2008	\$Nil	\$(585,845)	\$(0.01)
March 31, 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)
March 31, 2007	\$Nil	\$(48,306)	\$(0.00)
December 31, 2006	\$Nil	\$(80,009)	\$(0.00)
September 30, 2006	\$Nil	\$(80,378)	\$(0.00)

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

⁽²⁾ The financial information has been restated to reflect the Company's change in accounting policy to expense all acquisition costs and exploration and development expenditures incurred prior to commercial feasibility of mining operations being established.

It is the nature of junior exploration companies that there are no sales or revenue. There can also 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. Prior to July 1, 2006, expenditures generally exhibited a seasonal variation due to the seasonal nature of exploration and the dependency on the climate in Canada. Beginning in fiscal 2008, there will not be variations due to seasonality as the climate in Mexico is amenable to year round exploration. 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 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 2008 audited 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's cash and cash equivalents balance was \$367,449 at June 30, 2008 as compared to \$710,753 at June 30, 2007. 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 \$423,578 as at June 30, 2008 compared with working capital of \$689,482 as at June 30, 2007. 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.

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. Cangold does not use hedges or other financial derivatives.

Investing Activities

During the year ended June 30, 2008, the Company had no cash outflows from investing activities was (2007 - \$22,826).

Financing Activities

As at June 30, 2008, Cangold had 69,925,722 common shares issued and outstanding. During the year ended June 30, 2008, Cangold issued 6,053,072 shares, as part of a non-brokered private placement financing, at \$0.18 for net cash proceeds of \$1,022,580.

For the twelve month period ended June 30, 2008, 434,167 "M" warrants to purchase 434,167 common shares at a price of \$0.15 per share were exercised for total proceeds of \$65,125. 300,000 options were exercised for total proceeds of \$45,000.

During the year, the Company granted options, under its stock option plan, to purchase 650,000 common shares with an exercise price of \$0.15 per share expiring December 20, 2012; 440,000 common shares with an exercise price of \$0.15 per share expiring December 20, 2009; 150,000 common shares with an exercise price of \$0.15 expiring December 31, 2009 and; 2,175,000 common shares with an exercise price of \$0.15 expiring April 30, 2013.

SECURITIES OUTSTANDING

At the date of this MD&A, the Company had 70,025,722 common shares issued and has 3,927,590 warrants and 5,465,000 options outstanding.

If the Company were to issue all 3,927,590 shares issuable upon the exercise of all warrants outstanding and all 5,465,000 shares issuable upon the exercise of all incentive stock options outstanding, it would raise approximately \$1,991,398.

OUTLOOK

It is anticipated that in the foreseeable future, Cangold will rely on the equity markets to meet its financing needs. The level of exploration during upcoming year will depend on the Company's ability to raise financing.

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.

TRANSACTIONS WITH RELATED PARTIES

Included in expenses are the following transactions with related parties totalling \$149,090:

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- a) Paid or accrued consulting fees totalling \$80,000 to a company with a director in common.
- b) Paid or accrued office rent and administration costs totalling \$28,590 to a company with a director in common.
- c) Paid or accrued consulting fees totalling \$40,500 to officers of the Company.
- d) Received a loan totalling \$20,000 from an officer of the Company which has been subsequently repaid.

As at June 30, 2008, \$17,170 (June 30, 2007 - \$2,862) was due to an officer 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

Changes in accounting policies introduced during the fiscal year 2008 are described in detail in Note 3 of the audited Consolidated Financial Statements for June 30, 2008.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities, and due to related parties. 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.

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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.