

FORM 52-109FV1

CERTIFICATION OF ANNUAL 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 AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of **Cangold Limited** (the issuer) for the financial year ended **June 30, 2009**.
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: October 7, 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 52-109FV1

CERTIFICATION OF ANNUAL FILINGS - VENTURE ISSUER BASIC CERTIFICATE

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

4. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of **Cangold Limited** (the issuer) for the financial year ended **June 30, 2009**.
5. **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.
6. **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: October 7, 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:

- iii) 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
- iv) 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.

Consolidated Financial Statements
(Expressed in Canadian dollars)

CANGOLD LIMITED

Years ended June 30, 2009 and 2008



KPMG LLP
Chartered Accountants
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Vancouver BC V7Y 1K3
Canada

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Cangold Limited as at June 30, 2009 and 2008 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

August 28, 2009

CANGOLD LIMITED

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	June 30, 2009	June 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 35,089	\$ 367,449
Marketable securities	53,250	101,500
Amounts receivable (note 5)	143,631	137,964
Prepaid expenses and advances	7,820	29,389
	<u>239,790</u>	<u>636,302</u>
Mineral properties and equipment (note 7)	108,162	23,671
Reclamation deposit	-	25,800
	<u>\$ 347,952</u>	<u>\$ 685,773</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 147,915	\$ 191,058
Due to related parties (note 9)	36,027	21,666
	<u>183,942</u>	<u>212,724</u>
Shareholders' equity:		
Capital stock (note 8)	10,036,563	9,727,992
Contributed surplus (note 8(c))	1,180,296	1,170,007
Accumulated other comprehensive income (loss) (note 11)	(24,750)	(44,500)
Deficit	(11,028,099)	(10,380,450)
	<u>164,010</u>	<u>473,049</u>
Continuing operations (note 1)		
Subsequent event (note 15)		
	<u>\$ 347,952</u>	<u>\$ 685,773</u>

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Kaare G. Foy" Director

"Martin B. Carsky" Director

CANGOLD LIMITED

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

	2009	2008
Expenses:		
Amortization	\$ 5,509	\$ 7,195
Consulting	84,251	133,983
Director fees	75,000	80,704
Filing fees	12,318	8,976
Foreign exchange loss	27,980	14,330
Investor relations/corporate development	62,788	108,669
Mineral property exploration expenditures (note 6)	163,084	839,733
General exploration expenses	5,841	37,531
Office and miscellaneous	23,001	33,549
Printing	1,660	5,488
Professional fees	85,963	110,424
Stock-based compensation (note 8)	7,975	298,241
Rent	21,440	21,375
Transfer agent fees	4,810	9,779
Travel	-	7,175
Loss before undernoted	(581,620)	(1,717,152)
Interest income	1,971	12,107
Unrealized gain (loss) on marketable securities	(68,000)	-
	(66,029)	12,107
Loss for the year	(647,649)	(1,705,045)
Deficit, beginning of year	(10,380,450)	(8,675,405)
Deficit, end of the year	\$ (11,028,099)	\$ (10,380,450)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.03)
Weighted average number of outstanding Common shares	71,536,146	64,948,668

See accompanying notes to consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

	2009	2008
Loss for the year	\$ (647,649)	\$ (1,705,045)
Unrealized loss on marketable securities	(48,250)	(44,500)
Other than temporary impairment loss on marketable securities	68,000	-
Comprehensive loss for the year	\$ (627,899)	\$ (1,749,545)

See accompanying notes to consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows used in operating activities:		
Loss for the year	\$ (647,649)	\$ (1,705,045)
Items not involving cash:		
Amortization	5,509	7,195
Unrealized loss on marketable securities	68,000	-
Stock-based compensation	7,975	298,241
Shares issued for mineral exploration expenditures	10,500	45,500
Share consideration on sale of mineral property interest	-	(129,000)
Changes in non-cash operating working capital:		
Amounts receivable	(5,667)	(128,870)
Prepaid expenses and advances	21,569	(20,088)
Accounts payable and accrued liabilities	(43,143)	141,750
Net cash used in operating activities	(582,906)	(1,490,317)
Cash flows from investing activities:		
Purchase of mineral property interest	(10,000)	-
Reclamation deposit	25,800	-
Net cash from investing activities	15,800	-
Cash flows from financing activities:		
Proceeds from exercise of warrants	-	65,125
Proceeds from exercise of options	-	45,000
Proceeds from share issue	220,385	1,022,580
Due to related parties	14,361	14,308
Net cash from financing activities	234,746	1,147,013
Decrease in cash and cash equivalents	(332,360)	(343,304)
Cash and cash equivalents, beginning of year	367,449	710,753
Cash and cash equivalents, end of year	\$ 35,089	\$ 367,449

See accompanying notes to the consolidated financial statements.

CANGOLD LIMITED

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended June 30, 2009 and 2008

	June 30 2009	June 30, 2008
Supplementary cash flow information:		
Interest income received	\$ 3,129	\$ 11,176
Non-cash financing and investing transactions:		
Warrants and options issued for financing fee	2,314	11,800
Marketable securities received for mineral property consideration	-	129,000
Common share consideration on purchase of mineral property interest (note 6(a))	80,000	-

See accompanying notes to the consolidated financial statements.

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.

During the years ended June 30, 2009 and 2008, the Company recorded losses of approximately \$648,000 and \$1,705,000, respectively, and used cash for operations of approximately \$583,000 and \$1,490,000, respectively. As at June 30, 2009, the Company had an accumulated deficit of approximately \$11,028,000 compared with \$10,380,000 at June 30, 2008. As at June 30, 2009, the Company had a working capital balance of \$55,848 compared with \$423,578 as of June 30, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Notwithstanding 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.

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 (note 15). 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.

Given the current economic environment, there can be no assurance that such financing will be available to the Company on acceptable terms, or at all. Failure to continue as a going concern would require the Company's assets and liabilities to be presented on a liquidation basis, which would differ materially from the going concern basis.

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 and assessing

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

mineral properties for impairment. Due to the inherent uncertainty involved with making such estimates, actual results could differ from these estimates.

(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.

(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.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

(h) Stock-based compensation:

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

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 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, 2009 and 2008.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

(l) Financial instruments:

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, or if the Company elects to classify a financial asset in this category.

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.
- 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 trade receivable is impaired. The amount of the

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

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. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

(m) 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 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.

(n) 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, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

(a) Goodwill and Intangible Assets:

Section 3064, *Goodwill and Intangible Assets*, replaces Section 3062, *Goodwill and Intangible Assets*. The new standard establishes guidelines for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets. The standard also provides guidance for the treatment of various preproduction and start-up costs and requires that these costs be expensed as incurred. Concurrent with the adoption of this standard CICA Emerging Issues Committee Abstract 27 ("*EIC-27*"), *Revenues and Expenditures in the Pre-operating Period*, was withdrawn.

The adoption of this Section did not have a material impact on the Company's financial statements.

(b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, provides guidance on how to take into account an entity's own credit risk and the credit risk of the counter party in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The application of this EIC did not have a material impact on the Company's financial statements.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

3. CHANGES IN ACCOUNTING POLICIES (continued):

(c) Mining Exploration Costs

EIC-174, *Mining Exploration Costs*, provides guidance on the accounting and the impairment review of exploration costs. The application of this EIC did not have an impact on the Company's financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS:

(a) Financial Instruments - Disclosures:

In June 2009, the CICA amended Section 3862, *Financial Instruments - Disclosures*, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company is assessing the impact of these amendments on its consolidated 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.

The Company is developing an IFRS conversion plan and has completed a preliminary assessment which prioritizes how each IFRS standard will impact the financial statements. The Company anticipates there will be changes in accounting policies and these changes may materially impact our financial statements but the impact cannot be reasonably estimated at this time. The Company does anticipate an increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather and process the required information.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

5. AMOUNTS RECEIVABLE:

	June 30, 2009	June 30, 2008
Value added tax recoverable	\$ 141,718	\$ 134,289
Other	1,913	3,675
	\$ 143,631	\$ 137,964

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 viewed as recoverable, but such recovery is subject to review and assessment by local tax authorities.

6. MINERAL PROPERTY EXPLORATION EXPENDITURES:

The continuity of expenditures on mineral properties for year ended June 30, 2009 is as follows:

	Casummit (a)	Thorn (b)	Los Venados (c)	Plomo (d)	2009
Exploration expenditures:					
Option payments	\$ -	\$ -	\$ 33,151	\$ 11,769	\$ 44,920
Field costs	-	-	30,658	25,411	56,069
Drilling	-	-	-	-	-
Geology	-	-	7,298	24,798	32,096
Legal	-	-	-	-	-
Project Administration	-	-	18,418	11,581	29,999
Cumulative expenditures, beginning of period	1,176,657	1,979,941	89,525	73,559	163,084
Cumulative expenditures, end of period	\$ 1,176,657	\$ 1,979,941	\$ 532,971	\$ 731,529	\$ 4,421,098

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

6. MINERAL PROPERTY EXPLORATION EXPENDITURES (continued):

The continuity of expenditures on mineral properties for the 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

(a) Casummit Lake property:

The Company had a 51% participating interest in, and was 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, commonly known as the Argosy Gold Mine property (the "Argosy Property"). 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 exploration expenditures were incurred during the years ended June 30, 2009 and 2008.

On June 19, 2009, Premier Gold Mines Limited ("Premier") sold its 49% interest in the Argosy property to the Company. Under the terms of the acquisition, the Company issued Premier a total of 2 million shares of Cangold with a fair value of \$80,000 and made a cash payment of \$10,000. Premier retained a 0.5% net smelter return ("NSR"), which can be purchased for \$500,000. A further underlying 2% NSR remains in force and Cangold can purchase 1% for \$500,000.

(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,

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

6. MINERAL PROPERTY EXPLORATION EXPENDITURES (continued):

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 100% of the costs under exploration programs and recovered 49% of such costs from the 49% owner.

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 year ended June 30, 2009, 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 (\$60,000 paid as of June 30, 2009) and issuing 500,000 shares (250,000 shares issued as of June 30, 2009) 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 \$190,000 and issue 250,000 shares as follows:

In the calendar year of	2009	2010	2011	2012	Total
Cash payments	\$15,000	\$35,000	\$50,000	\$90,000	\$190,000
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 June 30, 2009) and issuing 700,000 shares (300,000 shares issued as of June 30, 2009) 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 priced at \$0.50 per share exercisable to December 16, 2009.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

6. MINERAL PROPERTY EXPLORATION EXPENDITURES (continued):

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

In the calendar year of	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

7. MINERAL PROPERTIES AND EQUIPMENT:

	June 30, 2009	June 30, 2008
Canada		
Mineral properties:		
Argosy mine (note 6(a))	\$ 90,000	\$ -
Equipment:		
Computer equipment	8,390	8,390
Field equipment	6,026	6,026
	14,416	14,416
Accumulated depreciation	(10,380)	(9,032)
	4,036	5,384
Mexico		
Field equipment	24,702	24,702
Accumulated depreciation	(10,576)	(6,415)
	14,126	18,287
	\$ 108,162	\$ 23,671

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

8. 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 and Plomo properties	200,000	10,500
Issue of shares pursuant to mineral property purchase agreement Argosy property	2,000,000	80,000
Issue of shares to transfer agent in trust for unexchanged shares	23	-
Private placement at \$0.05 per unit, net of costs ⁽ⁱ⁾	4,700,000	220,385
Issue of warrants for financing services	-	(2,314)
Balance June 30, 2009	76,825,745	\$ 10,036,563

⁽ⁱ⁾ On March 13, 2009, the Company issued 4,700,000 units by private placement at a price of \$0.05 per unit ("Unit"), for gross proceeds of \$235,000 and paid cash issuance costs of \$14,615. Each Unit consists of 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 \$0.10 until March 12, 2010. After the expiration of the hold period, the Company has the right to accelerate the expiry date of the warrants should the closing price of the Company's shares on the TSX Venture Exchange be at least \$0.20 for 20 consecutive trading days.

The Company also issued 161,000 finder warrants entitling the holder to acquire, upon exercise, one common share of the Company at \$0.10 until March 12, 2010. The fair value of finder warrants of \$2,314 is recorded as a cost of financing and is included in contributed surplus.

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 year ended June 30, 2009, no escrow shares were released pursuant to the amendment to the escrow agreement, compared to 79,336 during the year ended June 30, 2008.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

8. CAPITAL STOCK (continued):

(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
Stock-based compensation	298,241
Balance, June 30, 2008	1,170,007
Stock-based compensation	7,975
Issue of warrants for financing services	2,314
Balance, June 30, 2009	\$1,180,296

(d) Warrants:

The continuity of share purchase warrants for 2009 is as follows:

Series	Exercise price	Expiry date	June 30, 2008	Issued	Exercised	Expired	June 30, 2009
Purchase Warrants ⁽ⁱ⁾	0.50	Dec 16, 2009	500,000	-	-	-	500,000
Series "N" ⁽ⁱⁱ⁾	0.10	March 24, 2010	2,962,500	-	-	-	2,962,500
Finder Warrants	0.25	March 24, 2009	465,090	-	-	(465,090)	-
Series "O" ⁽ⁱⁱⁱ⁾	0.10	March 12, 2010	-	2,350,000	-	-	2,350,000
Finder Warrants	0.10	March 12, 2010	-	161,000	-	-	161,000
			3,927,590	2,511,000	-	(465,090)	5,973,500

(i) Note 6(d).

(ii) On March 6, 2009, the Board of Directors approved amending the terms of the 2,962,500 outstanding "N" warrants by reducing the exercise price from \$0.25 to \$0.10 and extending the expiry date from March 24, 2009 to March 24, 2010.

(iii) Note 8(b)(i).

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 ⁽ⁱ⁾	0.50	Dec 16, 2009	-	500,000	-	-	500,000
Series "N" ⁽ⁱⁱ⁾	0.25	March 24, 2009	-	2,962,500	-	-	2,962,500
Finder Warrants	0.25	March 24, 2009	-	465,090	-	-	465,090
			6,666,667	3,927,590	(434,167)	(6,232,500)	3,927,590

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

8. CAPITAL STOCK (continued):

(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 determined at the time of granting of the options is at the discretion of the board of directors unless otherwise specified. Once approved and vested, the options are exercisable at any time.

The continuity of common share stock options for 2009 is as follows:

Exercise price	Expiry date	June 30, 2008	Granted	Cancelled/expired	Exercised	June 30, 2009
\$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	-	(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	-	(125,000)	-	525,000
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	-	(250,000)	-	1,925,000
		6,890,000	-	(2,600,000)	-	4,290,000
Weighted average exercise price		\$0.17	-	(\$0.20)	-	\$0.14

As at June 30, 2009, all share options are fully vested. The weighted average remaining contractual life of the options is 2.5 years.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

8. CAPITAL STOCK (continued):

The continuity of common share stock options for 2008 is as follows:

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

	June 30, 2009	June 30, 2008
Risk-free interest rate	n/a	3.33%
Dividend yield	n/a	0%
Expected life	n/a	4.5 years
Volatility	n/a	76%

9. RELATED PARTY TRANSACTIONS:

The year ended June 30, 2009 included expenses totaling \$120,911 (June 30, 2008 - \$195,962) for consulting, accounting, rent and office charged to the Company by officers, directors or companies controlled by the directors of the Company.

As at June 30, 2009, \$36,027 (June 30, 2008 - \$21,666) was due to officers, to companies controlled by directors of the Company and to a company with common directors.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

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 30.25% to the loss before income taxes. The reasons for the differences are as follows:

	June 30, 2009	June 30, 2008
Net income (loss) before tax	\$ (579,649)	\$ (1,744,434)
Canadian income tax rate	30.25%	32.81%
Computed tax recovery	\$ (175,344)	\$ (572,349)
Financing costs deductible for tax purposes	(16,664)	(21,341)
Non-deductible capital items and other	20,290	60,062
Benefit of current year losses not recognized	146,632	375,721
Difference in tax rates	25,086	157,907
Income tax recovery	\$ -	\$ -

At June 30, 2009, the Company had operating losses carried forward of \$3,890,000 (2008 - \$3,319,000) and capital losses carried forward of \$1,827,000 (2008 - \$1,827,000). The operating losses at June 30, 2009 include \$3,136,000 (2008 - \$2,662,000) in Canada and \$754,000 (2008 - \$657,000) in Mexico. The capital losses are without expiry, and the operating losses expire at various dates to 2029.

As at June 30, 2009 and 2008, the tax effect of the significant components within the Company's future tax asset is as follows:

	2009	2008
Future tax assets:		
Non-capital loss carry forwards	\$ 915,418	\$ 791,891
Net capital loss carry forwards	456,636	474,362
Mineral properties	832,570	685,195
Foreign resource pools	-	162,861
Financing costs	15,277	26,434
Other	27,543	20,337
Total future tax assets	2,247,444	2,161,080
Valuation allowance	(2,247,444)	(2,161,080)
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 Company's Mexican subsidiary is subject to Flat Tax.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

11. Accumulated other comprehensive income (loss):

	June 30, 2009	June 30, 2008
Balance, beginning of period	\$ (44,500)	\$ -
Unrealized gain (loss) on marketable securities	(48,250)	(44,500)
Other than temporary impairment loss on marketable securities	68,000	-
Balance, end of period	\$ (24,750)	\$ (44,500)

12. 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, 2009, the Company raised \$220,385 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, 2009, 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.

13. 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, 2009, a fair value adjustment of (\$48,250) 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, 2009. Available-for-sale financial assets are

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):

denominated in Canadian dollars. An other than temporary impairment loss of \$68,000 was recorded to net income during the current year.

14. 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, 2009 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, interest rate and marketable security price risk.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

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

(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, 2009 are as follows:

	June 30, 2009	June 30, 2008
MXN Peso to CDN Dollar	0.088	0.099
US Dollar to CDN Dollar	1.163	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. However, at June 30, 2009, all of the Company's cash was in a non-interest bearing chequing account. Therefore, the Company is not currently exposed to fluctuations in interest rates.

(iii) Marketable security price risk

Marketable security price risk is the risk of fluctuations in the trading share price of marketable securities held by the Company. The trading share price of a company is affected by: internal events that occur within that company that affect the company's fundamentals directly or indirectly; external events e.g. major political, economic and social, that occur in the world that indirectly affect the company and the industry; and general market pressure from the major indexes. Most of these factors are beyond the Company's control. The Company invests in marketable securities where management teams are known and respected and in industries which it is knowledgeable in.

(iv) 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.

CANGOLD LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended June 30, 2009 and 2008

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

- Proportional foreign exchange movement of -10% (depreciation of CAD) and +10% (appreciation of CAD) against the USD, from the June 30, 2009 CAD to USD exchange rate of 0.86.
- Proportional foreign exchange movement of -10% (depreciation of CAD) and +10% (appreciation of CAD) against the Mexican peso, from the June 30, 2009 CAD to Mexican peso exchange rate of 11.331.

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	Currency Rate Risk	
		-10%	+10%
		Income	Income
Financial assets			
Cash and cash equivalents			
CAD	\$ 28,787	\$ -	\$ -
USD	4,872	541	(443)
Pesos	1,430	159	(130)
Amounts receivable			
Pesos	141,717	15,746	(12,883)
Financial liabilities			
Accounts payable and accrued liabilities			
USD	-	-	-
Pesos	-	-	-
Total increase (decrease) in net loss	\$ -	\$ 16,447	\$ (13,456)

15. SUBSEQUENT EVENT

Subsequent to June 30, 2009, two directors of the Company each loaned the Company \$35,000 for a total of \$70,000. The loans are non-interest bearing and have no defined repayment terms.

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

For the year ended June 30, 2009

This Management's Discussion and Analysis ("MD&A") prepared as of October 5, 2009, reviews the activities of Cangold Limited ("Cangold" or "the Company") for the year ended June 30, 2009 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, 2009 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 a 100% 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, 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 has made use of joint ventures in the past to share the costs and risks associated with exploring some of its mineral properties.

SELECTED ANNUAL INFORMATION

	<i>2009</i>	<i>2008</i>	<i>2007</i>
Net sales or total revenue	Nil	Nil	Nil
General and administrative expenses (excluding stock-based compensation and mineral property exploration expenses)	\$ 410,561	\$ 579,178	\$ 376,587
Stock-based compensation	7,975	298,241	45,561
Mineral exploration expenses	163,084	839,733	3,355
Write-down of marketable securities	68,000	-	1,750
Loss for the year	647,649	1,705,045	392,936
Loss per share (weighted average)	0.01	0.03	0.01
Comprehensive loss for the year	627,899	1,749,545	392,936
Cash and cash equivalents	35,089	367,449	710,753
Total assets	347,952	685,773	802,814
Total liabilities	183,942	212,724	56,666
Working capital	\$ 55,848	\$ 423,578	\$ 689,482

RESULTS OF OPERATIONS

The Company reported a loss of \$647,649 and cash outflows from operations of \$582,906 for the year ended June 30, 2009 compared with a loss of \$1,705,045 and cash outflows from operations of \$1,490,317 for same twelve-month period in 2008. The decreased loss in the current fiscal year can be attributed to lower overhead costs and decreased exploration expenditures on its 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, 2009

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 compared to the prior year.

Consulting costs for the year were \$84,251 compared to \$133,983 in the twelve months ended June 30, 2008. This \$49,732 decrease is primarily a result of planning and supervision with respect to the Los Venados and Plomo properties in Mexico.

The Company incurred a foreign exchange loss of \$27,980 and \$14,330, respectively for the year ended June 30, 2009 compared to the same period in 2008. The Canadian dollar strengthened relative to the Mexican 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 \$62,788 for the twelve months ended June 30, 2009 compared to \$108,669 for the twelve months ended June 30, 2008. This decrease is a result of the management's action to reduce costs.

The Company incurred \$163,084 in mineral property exploration expenditures during the year ended June 30, 2009 compared to \$839,733 in the same period in 2008. The table in note 6 to the audited consolidated financial statements for the year summarizes the costs by property and type of expenditure.

The Company incurred general exploration expenses of \$5,841 for the twelve months ended June 30, 2009, compared to \$37,531 during the same period in 2008. The majority of these costs were for due diligence and administration related to exploration.

Professional fees for the year were \$85,963 compared to \$110,424 for the twelve months ended June 30, 2008. This decrease was primarily a result of less legal fees incurred due to a decrease in the operating activities of the Company.

There was a substantial decrease in stock-based compensation, a non-cash charge, from \$298,241 in 2008 to \$7,975 in 2009. There were no stock options granted during the year ended June 30, 2009. The small expense recorded related to the vesting of consultants' stock options.

Interest income was \$1,971 for the year compared to \$12,107 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 since the second quarter of fiscal 2009. The above explanations of annual year over year changes are largely the same for the fourth quarter.

Exploration Activities and Property Expenditures

The Company suspended all exploration activities on its two Mexican projects during the first quarter of 2009 in order to preserve cash. As the stability of global financial markets continues to be 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 its projects beyond payments on options which Cangold intends to continue to maintain in good standing.

The notes to the June 30, 2009 audited financial statements contain a schedule summarizing the total expenditures made on the properties.

a) Casummit Lake Property:

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

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

For the year ended June 30, 2009

No field work was conducted on the property during the year ended June 30, 2009. However, Management believes that the Casummit Lake property justifies further expenditures to fully test its potential.

On June 19, 2009, Premier Gold Mines Limited ("Premier") sold its 49% interest in the Argosy property to the Company. Under the terms of the acquisition, the Company issued Premier a total of 2 million shares of Cangold with a fair value of \$80,000 and made a cash payment of \$10,000. Premier retained a 0.5% net smelter return ("NSR"), which can be purchased for \$500,000. A further underlying 2% NSR remains in force and Cangold can purchase 1% for \$500,000.

(b) 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 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 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\$60,000 paid as of June 30, 2009) and issuing 500,000 shares (250,000 shares issued as of June 30, 2009) over 5 years. The acquisition is subject to a 2% NSR, half of which can be purchased for CDN\$500,000.

No field work has been conducted on the Los Venados property after the first quarter of fiscal 2009. 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

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

For the year ended June 30, 2009

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 CDN\$100,000 (CDN\$20,000 paid as of June 30, 2009) and issuing 700,000 shares (300,000 shares issued as of June 30, 2009) 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 per share exercisable to December 16, 2009.

No field work was conducted on the Plomo property after the first quarter of fiscal 2009. Management believes however, that the property justifies further expenditures which will be required to fully test its potential.

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

For the year ended June 30, 2009

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⁾
June 30, 2009	\$Nil	\$(159,118)	\$(0.00)
March 31, 2009	\$Nil	\$(128,770)	\$(0.00)
December 31, 2008	\$Nil	\$(131,247)	\$(0.01)
September 30, 2008	\$Nil	\$(228,514)	\$(0.00)
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)

⁽¹⁾ Fully diluted loss per share amounts are not shown as they 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. For example, the granting of incentive stock options, which results in the recording of amounts for stock-based compensation, can be quite large in any given quarter.

There will not be variations due to seasonality as the climate in Mexico is amenable to year round exploration.

However, 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).

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. The "Risks and Uncertainties" section of this document 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 \$35,089 at June 30, 2009 as compared to \$367,449 at June 30, 2008. The Company's cash equivalents are all fully cashable at any time so there are no restrictions on availability of funds.

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

For the year ended June 30, 2009

The Company had working capital of \$55,848 as at June 30, 2009 compared with working capital of \$423,578 as at June 30, 2008. 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.

Subsequent to June 30, 2009, two directors of the Company each loaned the Company \$35,000 for a total of \$70,000. The loans are non-interest bearing and have no defined repayment terms.

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, 2009, the Company had \$15,800 cash inflows from investing activities compared with nil as at June 20, 2008. The cash inflows are primarily due to the release of a \$25,800 reclamation deposit upon transferring the deposit requirement to Rimfire Minerals Corp. which purchased the 51% interest in the Thorn property in fiscal year 2008.

The Company purchased a 49% interest in the Argosy property from Premier Gold Mines Limited on July 19, 2009. Cangold made a \$10,000 cash payment under the terms of the acquisition.

Financing Activities

As at June 30, 2009, Cangold had 76,825,745 common shares issued and outstanding.

On March 6, 2009, with the approval of the Board of Directors and the TSX Venture Exchange, the terms of the 2,962,500 outstanding "N" warrants were amended by reducing the exercise price from \$0.25 to \$0.10 and extending the expiry date from March 24, 2009 to March 24, 2010.

On March 13, 2009, the Company issued 4,700,000 units by private placement at a price of \$0.05 per unit (Unit), for gross proceeds of \$235,000 and paid cash issuance costs of \$14,615. Each Unit consists of 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 \$0.10 until March 12, 2010. After the expiration of the hold period, the Company has the right to accelerate the expiry date of the warrants should the closing price of the Company's shares on the TSX Venture Exchange be at least \$0.20 for 20 consecutive trading days.

The Company also issued 161,000 finder warrants entitling the holder to acquire, upon exercise, one common share of the Company at \$0.10 until March 12, 2010. The fair value of finder warrants of \$2,314 is recorded as a cost of financing and is included in contributed surplus.

SECURITIES OUTSTANDING

At the date of this MD&A, the Company had 76,875,745 common shares issued and has 5,973,500 warrants and 4,090,000 options outstanding.

If the Company were to issue all 5,973,500 shares issuable upon the exercise of all warrants outstanding and all 4,090,000 shares issuable upon the exercise of all incentive stock options outstanding, it would raise approximately \$1,383,850.

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 the upcoming year will depend on the Company's ability to raise financing.

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

For the year ended June 30, 2009

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 \$120,911:

- a) Paid or accrued consulting fees totalling \$37,652 to a company with a director in common.
- b) Paid or accrued office rent and administration costs totalling \$32,440 to a company with a director in common.
- c) Paid or accrued consulting fees totalling \$50,819 to officers of the Company.

As at June 30, 2009, \$36,027 (June 30, 2008 - \$21,666) was due to officers, to companies controlled by a directors of the Company and to a company with common directors.

RISKS AND UNCERTAINTIES

Exploration and development stage of the properties

The Company is in the exploration stage with all of its projects and substantial additional work will be required in order to determine if any economic deposits occur on these properties. Even in the event commercial quantities of minerals are discovered, these properties might not be brought into a state of commercial production. The search for valuable minerals as a business is extremely risky. Finding mineral deposits is dependent on a number of factors, not the least of which is the technical skill of exploration personnel involved.

The commercial viability of a mineral deposit, once discovered, is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of these factors are beyond the control of the entity conducting such mineral exploration. There can be no assurance that operations will be profitable in the future.

Ability to continue as a going concern

The audited consolidated financial statements of the Company for the year ended June 30, 2009 were prepared in accordance with GAAP on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. During the years ended June 30, 2009 and 2008, the Company recorded losses of approximately \$648,000 and \$1,705,000, respectively, and used cash for operations of approximately \$583,000 and \$1,490,000, respectively. As at June 30, 2009, the Company had an accumulated deficit of approximately \$11,028,000 compared with \$10,380,000 at June 30, 2008. As at June 30, 2009, the Company had a working capital balance of \$55,848 compared with \$423,578 as of June 30, 2008. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

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. 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.

Given the current economic environment, there can be no assurance that such financing will be available to the Company on acceptable terms, or at all. Failure to continue as a going concern would require the

Company's assets and liabilities to be presented on a liquidation basis, which would differ materially from the going concern basis.

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 and assessing mineral properties for impairment. 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 2009 are described in detail in Note 3 of the audited Consolidated Financial Statements for June 30, 2009.

FUTURE ACCOUNTING PRONOUNCEMENTS

(a) Financial Instruments - Disclosures:

In June 2009, the CICA amended Section 3862, *Financial Instruments - Disclosures*, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company is assessing the impact of these amendments on its consolidated 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.

The Company is developing an IFRS conversion plan and has completed a preliminary assessment which prioritizes how each IFRS standard will impact the financial statements. The Company anticipates there will be changes in accounting policies and these changes may materially impact our financial statements but the impact cannot be reasonably estimated at this time. The Company does anticipate an increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather and process the required information.

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: risks and uncertainties relating to the interpretation and assumptions used in calculating resource estimates; 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; differences in actual recovery rates, grades, and tonnage from those expected; the inherent uncertainty of production and cost estimates, risks and uncertainties relating to timing and amount of estimated future production, capital expenditures and cash flows; risks relating to our ability to obtain adequate financing for our planned activities and to complete further exploration programs; foreign currency fluctuations; commodity price fluctuations; risks related to governmental regulations, including environmental regulations and other general market and industry conditions as well as those factors discussed in each management discussion and analysis, available on SEDAR at www.sedar.com.

Although Cangold has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Cangold'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 Cangold will derive from them. 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 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.

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.