



CANAGOLD RESOURCES LTD.

Consolidated Financial Statements

(expressed in United States dollars)

Years ended December 31, 2022, 2021 and 2020



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND DIRECTORS OF CANAGOLD RESOURCES LTD.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Canagold Resources Ltd. (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for the years ended December 31, 2022, 2021 and 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022, 2021 and 2020, in conformity with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a net loss of \$2.7 million for the year ended December 31, 2022 and as at that date, an accumulated deficit of \$52.8 million. As stated in Note 1 to the consolidated financial statements, this condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that casts substantial doubt on the Company's ability to continue as a going concern.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Critical Audit Matters

Critical audit matters are matters arising from the current-period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Chartered Professional Accountants

We have served as the Company's auditor since 2008.

Vancouver, Canada
March 24, 2023

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CANAGOLD RESOURCES LTD.

Consolidated Statements of Financial Position
(expressed in thousands of United States dollars)

		December 31,	
	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Cash		\$ 3,825	\$ 2,008
Marketable securities	6	855	1,300
Receivables and prepaids	15(d)	1,131	450
Total Current Assets		5,811	3,758
NON-CURRENT ASSETS			
Mineral property interests	7	26,277	23,781
Mineral property deposits		166	-
Equipment	8	374	44
Total Non-Current Assets		26,817	23,825
Total Assets		\$ 32,628	\$ 27,583
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	12	\$ 1,296	\$ 929
Flow through premium liability	9(a)	32	198
Deferred royalty liability, current	9(b)	35	35
Lease liability, current	9(c)	62	21
Total Current Liabilities		1,425	1,183
LONG TERM LIABILITIES			
Deferred royalty liability, long term	9(b)	96	107
Lease liability, long term	9(c)	195	-
Deferred income tax liability	15(a) and (b)	1,399	-
Total Long Term Liabilities		1,690	107
Total Liabilities		3,115	1,290
SHAREHOLDERS' EQUITY			
Share capital	10(b)	85,465	77,753
Reserve for share-based payments		815	1,676
Accumulated other comprehensive loss		(3,990)	(2,049)
Deficit		(52,777)	(51,087)
Total Shareholders' Equity		29,513	26,293
Total Liabilities and Shareholders' Equity		\$ 32,628	\$ 27,583

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)
Commitments (Note 14)

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ Sofia Bianchi

Director

/s/ Andrew Trow

Director

CANAGOLD RESOURCES LTD.

Consolidated Statements of Comprehensive Loss

(expressed in thousands of United States dollars, except per share amounts)

	Notes	Years ended December 31,		
		2022	2021	2020
Expenses:				
Amortization	8	\$ 60	55	48
Corporate development	11 and 12	112	-	63
Employee and director remuneration	12	700	591	559
General and administrative	11 and 12	837	295	228
Shareholder relations		384	446	514
Share-based payments	10(c) and 12	154	974	170
Operating loss		(2,247)	(2,361)	(1,582)
Interest and other income		1	7	11
Change in fair value of marketable securities	6	(425)	(384)	760
Flow through financing costs		-	-	(8)
Interest and finance charges	9(b), (c) and (d)	(71)	(33)	(39)
Foreign exchange (loss) gain		172	(29)	17
Write-off of mineral property interest	7(a)(iv)	-	-	(1,127)
Mineral property option income	7(a) and (b)	545	762	251
Net loss before income tax		(2,025)	(2,038)	(1,717)
Income tax recovery	9(a)	719	206	9
Net loss before deferred income tax		(1,306)	(1,832)	(1,708)
Deferred income tax expense	15(a)	(1,399)	-	-
Net loss for the year		(2,705)	(1,832)	(1,708)
Other comprehensive income (loss):				
Item that will or may be reclassified to profit or loss:				
Foreign currency translation adjustment		(1,941)	(5)	453
Comprehensive loss for the year		(4,646)	(3,669)	(2,963)
Basic and diluted loss per share		(0.03)	(0.03)	(0.03)
Weighted average number of common shares outstanding		89,358,246	72,717,550	52,298,078

Refer to the accompanying notes to the consolidated financial statements.

CANAGOLD RESOURCES LTD.

Consolidated Statements of Changes in Shareholders' Equity

(expressed in thousands of United States dollars)

	Share Capital		Reserve for Share-Based Payments	Accumulated Other Comprehensive Income (Loss)		Total
	Number of Shares	Amount		Income (Loss)	Deficit	
Balance, December 31, 2019	48,531,936	67,287	709	(2,497)	(47,578)	17,921
Private placement	21,000,000	6,373	-	-	-	6,373
Exercise of stock options	576,000	236	(98)	-	-	138
Exercise of share appreciation rights	143,303	59	(49)	-	(10)	-
Share issue expenses	-	(233)	-	-	-	(233)
Finders fee warrants	-	(127)	127	-	-	-
Share-based payments	-	-	170	-	-	170
Cancellation and expiration of stock options	-	-	(38)	-	38	-
Comprehensive loss for the year	-	-	-	453	(1,708)	(1,255)
Balance, December 31, 2020	70,251,239	73,595	821	(2,044)	(49,258)	23,114
Private placement	11,201,849	4,126	-	-	-	4,126
Exercise of stock options	650,000	384	(180)	-	-	204
Exercise of share appreciation rights	104,884	56	(59)	-	3	-
Exercise of warrants	301,624	105	(33)	-	-	72
Share issue expenses	-	(363)	-	-	-	(363)
Finders fee warrants	-	(150)	150	-	-	-
Share-based payments	-	-	974	-	-	974
Comprehensive loss for the year	-	-	3	(5)	(1,832)	(1,834)
Balance, December 31, 2021	82,509,596	77,753	1,676	(2,049)	(51,087)	26,293
Private placement	8,750,000	2,151	-	-	-	2,151
Exercise of share appreciation rights	45,629,798	5,873	-	-	-	5,873
Share issue expenses	-	(312)	-	-	-	(312)
Share-based payments	-	-	154	-	-	154
Cancellation and expiration of stock options	-	-	(1,015)	-	1,015	-
Comprehensive loss for the year	-	-	-	(1,941)	(2,705)	(4,646)
Balance, December 31, 2022	136,889,394	\$ 85,465	\$ 815	\$ (3,990)	\$ (52,777)	\$ 29,513

Refer to the accompanying notes to the consolidated financial statements.

CANAGOLD RESOURCES LTD.

Consolidated Statements of Cash Flows

(expressed in thousands of United States dollars)

	Notes	Years ended December 31,		
		2022	2021	2020
Cash provided from (used by):				
Operations:				
Net loss for the year		\$ (2,705)	\$ (1,832)	\$ (1,708)
Items not involving cash:				
Accrued interest	9(c)	31	33	24
Amortization	8	60	55	48
Change in fair value of marketable securities		425	384	(760)
Income tax recovery	9(a)	(719)	(206)	(9)
Deferred income tax expense	15(a)	1,399		
Share-based payments		154	974	170
Write-off of mineral property interest	7(a)(iv)	-	-	1,127
Mineral property option income	7(a), (b)	505	(753)	(251)
		(850)	(1,345)	(1,359)
Changes in non-cash working capital items:				
Receivables and prepaids		(847)	(153)	(221)
Accounts payable and accrued liabilities		367	605	173
Net cash used by operating activities		(1,330)	(893)	(1,407)
Financing:				
Issuance of common shares, net of share issuance costs		8,249	4,165	6,140
Exercise of stock options		-	204	138
Exercise of warrants		-	72	-
Proceeds from loans		1,940	-	-
Repayment of loans		(1,940)	-	-
Lease payments	9(c)	(42)	(38)	(35)
Net cash provided from financing activities		8,207	4,403	6,243
Investing:				
Expenditures for mineral properties, net of recoveries		(4,486)	(8,190)	(793)
Proceeds from disposition of marketable securities	6	325	656	296
Expenditures for equipment	8	(117)	(16)	(4)
Net cash used by investing activities		(4,278)	(7,550)	(501)
Unrealized foreign exchange (loss) gain on cash		(783)	(69)	(141)
(Decrease) increase in cash		1,817	(4,109)	4,194
Cash, beginning of year		2,008	6,117	1,923
Cash, end of year		\$ 3,825	\$ 2,008	\$ 6,117

Refer to the accompanying notes to the consolidated financial statements.

CANAGOLD RESOURCES LTD.

Consolidated Statements of Cash Flows

(expressed in thousands of United States dollars)

	Notes	Years ended December 31,		
		2022	2021	2020
Non-cash financing and investing activities:				
Fair value of marketable securities received from option on mineral property interests		\$ 376	\$ 1,010	\$ 691
Fair value allocated to common shares issued on exercise of:				
Stock options		-	180	98
Share appreciation rights	8(b)(i)	-	59	49
Fair value allocated to lease liability:		273	-	-
Fair value of finders fee warrants from:				
Issuance of finders fee warrants	8(b)(i) and (ii)	-	150	127
Expiration of:				
Stock options		1,015	-	38
Income taxes paid		-	-	-
Interest paid		36	21	26

Refer to the accompanying notes to the consolidated financial statements.

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

1. Nature of Operations and Going Concern

Canagold Resources Ltd. (the “Company”), a company incorporated under the laws of British Columbia on January 22, 1987, is in the mineral exploration business and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves in its mineral property interests, the ability of the Company to arrange appropriate financing and receive necessary permitting for the exploration and development of its mineral property interests, and upon future profitable production or proceeds from the disposition thereof. The address of the Company’s registered office is #910 – 800 West Pender Street, Vancouver, BC, Canada, V6C 2V6 and its principal place of business is #1250 – 625 Howe Street, Vancouver, BC, Canada, V6C 2T6.

The Company has no operating revenues, has incurred a significant net loss of \$2.7 million in 2022 (2021 - \$1.8 million and 2020 - \$1.7 million) and has a deficit of \$52.8 million as at December 31, 2022 (2021 - \$51.1 million and 2020 - \$49.3 million). In addition, the Company has negative cash flows from operations. These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and repayment of liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management continues to find opportunities to raise the necessary capital to meet its planned business objectives and continues to seek financing opportunities. There can be no assurance that management’s plans will be successful. These matters indicate the existence of material uncertainties that cast substantial doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

2. Basis of Presentation

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company’s Board of Directors on March 17, 2023.

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional currency of the Company and its subsidiaries is the Canadian dollar, and accounts denominated in currencies other than the Canadian dollar have been translated as follows:

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

2. Basis of Presentation (continued)

(d) Functional currency and presentation currency: (continued)

- Monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items at historical exchange rates; and
- Revenue and expense items at the rate of exchange on the transaction date.

The Company's presentation currency is the United States dollar. For presentation purposes, all amounts are translated from the Canadian dollar functional currency to the United States dollar presentation currency for each period. Statement of financial position accounts, with the exception of equity, are translated using the exchange rate at the end of each reporting period, transactions on the statement of comprehensive loss are recorded at the average rate of exchange during the period, and equity accounts are translated using historical actual exchange rates.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as a cumulative translation adjustment in other comprehensive income (loss), which is included in accumulated other comprehensive loss.

(e) Critical accounting estimates and judgments:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and judgments and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests and receivables, valuation of certain marketable securities, accrued site remediation, amount of flow-through obligations, incremental borrowing rate for leases entered into, and the variables used in the determination of the fair value of stock options granted and finder's fees warrants issued or modified. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company applies judgment in assessing the functional currency of each entity consolidated in these consolidated financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

For right of use assets and lease liability, the Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

The Company applies judgment in assessing whether material uncertainties exist that would cast substantial doubt as to whether the Company could continue as a going concern.

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

2. Basis of Presentation (continued)

(e) Critical accounting estimates and judgments: (continued)

The Company is required to spend proceeds received from the issuance of flow-through shares on qualifying resources expenditures. The Company is also entitled to refundable mining tax credits on qualified resource expenditures incurred in Canada. Differences in judgment between management and regulatory authorities with respect to qualified expenditures may result in disallowed expenditures by the tax authorities. Any amount disallowed may result in the Company's required expenditures not being fulfilled or refundable tax credits not being recoverable. The Company accrues for refundable mining tax credits when management is reasonably assured that the amount is collectable.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries including New Polaris Gold Mines Ltd. (Canada) and American Innovative Minerals LLC ("AIM") (USA). The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All significant intercompany transactions and balances are eliminated on consolidation.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

3. Significant Accounting Policies (continued)

(b) Financial instruments:

(i) Financial assets:

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that: (i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the consolidated statements of financial position at fair value with changes in fair value therein, recognized in profit or loss. Associated transaction costs are recognized in profit or loss in the period in which it arises.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method.

(ii) Derecognition:

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Financial liabilities:

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(iv) Fair value hierarchy

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(c) Impairment of non-financial assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date less incremental costs directly attributable to disposal of the asset, excluding financing costs and income tax expenses. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Mineral property interests:

All costs related to investments in mineral property interests are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The costs related to a mineral property from which there is production, together with the costs of mining equipment, will be amortized using the unit-of-production method. When there is little prospect of further work on a property being carried out by the Company or its partners or when a property is abandoned or when the capitalized costs are not considered to be economically recoverable, the related property costs are written down to the amount recoverable.

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

3. Significant Accounting Policies (continued)

(d) Mineral property interests: (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale or property option of the Company's property interest is recorded as a reduction of the mineral property cost. The Company recognizes in income those costs that are recovered on mineral property interests when amounts received or receivable are in excess of the carrying amount.

The amounts shown for mineral property interests represent costs incurred to date and include advance net smelter return ("NSR") royalties, less recoveries and write-downs, and are not intended to reflect present or future values.

(e) Equipment:

Leasehold improvements, office equipment and furnishings, and right-of-use assets are recorded at cost, and are amortized as follows:

Leasehold improvements	Straight line over lease term
Office equipment	Double declining rate of 30%
Office furnishings	Double declining rate of 20%
Right-of-use	Straight line over lease term

Additions during the year are amortized on a pro-rated basis.

(f) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to the fair value of the common shares with any residual value then allocated to warrants. Consideration received on the exercise of warrants is recorded as share capital and any related reserve for share-based payments is transferred to share capital. Upon expiry of the warrants, the recorded fair value of the warrants is transferred from the reserve for share-based payments to deficit.

(g) Non-monetary transactions:

Common shares issued for consideration other than cash are valued based on the fair market value of the goods or services received and if not determinable, the common shares are valued at their quoted market price at the date of issuance.

(h) Flow-through common shares:

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into: (i) a flow-through share premium equal to the excess, if any, which investors pay for the flow-through common share over the market price of common shares on closing date and which is recognized as a liability; and (ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability or tax recovery for the amount of tax reduction renounced to the shareholders.

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

3. Significant Accounting Policies (continued)

(h) Flow-through common shares: (continued)

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a finance expense until paid.

(i) Share-based payments:

The Company has a stock option plan that is described in Note 10(c). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from reserve for share-based payments to deficit.

The Company has a share appreciation rights plan, which provides stock option holders the right to receive the number of common shares that are equal in value to the intrinsic value of the stock options at the date of exercise. Amounts transferred from the reserve for share-based payment to share capital are based on the ratio of shares actually issued to the number of stock options originally granted. The remainder is transferred to deficit.

(j) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development, or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

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3. Significant Accounting Policies (continued)

(j) Environmental rehabilitation: (continued)

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit or loss as incurred.

(k) Earnings (loss) per share:

Basic earnings (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted earnings (loss) per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share presented is the same as basic loss per share as the effect of outstanding options and warrants in the loss per common share calculation would be anti-dilutive.

(l) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(m) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

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3. Significant Accounting Policies (continued)

(n) Right-of-use asset and lease liability:

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset ("ROU asset") and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions:

- (i) The Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months; or
- (ii) For leases of low value.

The payments for such leases are recognized in the consolidated statements of loss and comprehensive loss over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated amortization and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statements of loss and comprehensive loss.

(o) Mining exploration tax recoveries:

The Company recognizes mining exploration tax recoveries in the period in which there is reasonable expectation, based on management's estimate, of receiving a refund. The amount of refundable mining tax credits receivable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

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4. Management of Capital

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its mineral property interests contain reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital and proceeds from debt. The Company has generated cash inflows from the disposition of marketable securities. The Company is not subject to any externally imposed capital requirements.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

There were no changes in the Company's approach to capital management during the year ended December 31, 2022.

5. Management of Financial Risk

The Company has classified its financial instruments under IFRS 9 *Financial Instruments* ("IFRS 9") as follows:

	IFRS 9
Financial Assets	
Cash	Fair value through profit or loss ("FVTPL")
Marketable securities	FVTPL
Receivables	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Deferred royalty liability	Amortized cost
Lease liability	Amortized cost

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5. Management of Financial Risk (continued)

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash and certain marketable securities are measured at fair values using Level 1 inputs. Other marketable securities are measured using Level 3 of the fair value hierarchy. Deferred royalty and lease liabilities are measured using Level 2 inputs. There were no transfers between levels 1, 2 or 3 during the years ended December 31, 2022 and 2021.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions.

To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable, which may include amounts receivable from certain related parties, and records an expected credit loss based on its best estimate of potentially uncollectible amounts. Management believes that the credit risk with respect to these financial instruments is remote.

The financial instruments that potentially subject the Company to credit risk comprise cash and certain amounts receivable, the carrying value of which represents the Company's maximum exposure to credit risk.

(b) 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 that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at December 31, 2022, the Company had a working capital (current assets less current liabilities) of \$4.4 million (2021 - \$2.6 million). The Company has sufficient funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2023.

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5. Management of Financial Risk (continued)

(b) Liquidity risk: (continued)

The following schedule provides the contractual obligations related to the deferred royalty and lease liability payments (Notes 9(b) and (c)) as at December 31, 2022 and 2021:

	Payments due by Period (CAD\$000)					Payments due by Period (US\$000)				
	Total	Less than			After 5 years	Total	Less than			After 5 years
		1 year	1-3 years	3-5 years			1 year	1-3 years	3-5 years	
Basic office lease	\$ 406	\$ 85	\$ 173	\$ 148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty payments	-	-	-	-	-	215	35	105	75	-
Total, December 31, 2022	\$ 406	\$ 85	\$ 173	\$ 148	\$ -	\$ 215	\$ 35	\$ 105	\$ 75	\$ -
Basic office lease	\$ 28	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty payments	-	-	-	-	-	250	35	105	105	5
Total, December 31, 2021	\$ 28	\$ 28	\$ -	\$ -	\$ -	\$ 250	\$ 35	\$ 105	\$ 105	\$ 5

Accounts payable and accrued liabilities are due in less than 90 days.

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5. Management of Financial Risk (continued)

(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

Certain of the Company's mineral property interests and operations are in Canada. Most of its operating expenses are incurred in Canadian dollars. Fluctuations in the Canadian dollar would affect the Company's consolidated statements of comprehensive loss as its functional currency is the Canadian dollar, and fluctuations in the U.S. dollar would impact its cumulative translation adjustment as its consolidated financial statements are presented in U.S. dollars.

The Company is exposed to currency risk for its U.S. dollar equivalent of assets and liabilities denominated in currencies other than U.S. dollars as follows:

		<u>2022</u>	<u>2021</u>
Cash		\$ 3,825	\$ 1,701
Marketable securities		855	1,300
Receivables		1,131	1
Accounts payable and accrued liabilities		(1,296)	(800)
Lease liability		(257)	(21)
Net financial assets (liabilities), December 31		\$ 4,259	\$ 2,181

Based upon the above net exposure as at December 31, 2022 and assuming all other variables remain constant, a 10% (2021 - 10%) depreciation or appreciation of the U.S. dollar relative to the Canadian dollar could result in a decrease (increase) of approximately \$426,000 (2021 - \$218,000) in the cumulative translation adjustment in the Company's shareholders' equity.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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5. Management of Financial Risk (continued)

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. The Company's investments in guaranteed investment certificates bear a fixed rate and are cashable at any time prior to maturity date. Interest rate risk is not significant to the Company as it has no cash equivalents and no interest-bearing debt at period-end.

(c) Market risk:

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company's other price risk includes equity price risk, whereby investment in marketable securities are held for trading financial assets with fluctuations in quoted market prices recorded at FVTPL. There is no separately quoted market value for the Company's investments in the shares of certain strategic investments.

As certain of the Company's marketable securities are carried at market value and are directly affected by fluctuations in value of the underlying securities, the Company considers its financial performance and cash flows could be materially affected by such changes in the future value of the Company's marketable securities. Based upon the net exposure as at December 31, 2022 and assuming all other variables remain constant, a net increase or decrease of 75% (2021 - 75%) in the market prices of the underlying securities would increase or decrease respectively net (loss) income by \$641,000 (2021 - \$975,000).

6. Marketable Securities

	December 31,	
	2022	2021
Balance, begin of year	\$ 1,300	\$ 1,323
Fair value of marketable securities received from options on mineral property interests	356	1,010
Disposition of marketable securities at fair value	(325)	(656)
Change in fair value of marketable securities	(425)	(384)
Foreign currency translation adjustment	(51)	7
Balance, end of year	\$ 855	\$ 1,300

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7. Mineral Property Interests

	Canada		USA		Total
	British Columbia		Nevada		
	New Polaris (Note 7(a)(i))	Windfall Hills (Note 7(a)(ii))	Fondaway Canyon (Notes 7(b)(i))	Corral Canyon (Note 7(b)(ii))	
Acquisition Costs:					
Balance, December 31, 2021	\$ 3,941	\$ 370	\$ 1,289	\$ 25	\$ 5,625
Additions	12	-	-	-	12
Recoveries	-	-	(476)	-	(476)
Foreign currency translation adjustment	(43)	(22)	(158)	(2)	(225)
Balance, December 31, 2022	3,910	348	655	23	4,936
Deferred Exploration Expenditures:					
Balance, December 31, 2021	14,968	1,062	1,547	579	18,156
Additions:					
Exploration:					
Assays and sampling	145	4	-	-	149
Community and social	20	-	-	-	20
Drilling	2,023	-	-	-	2,023
Environmental	557	-	-	-	557
Feasibility	215	-	-	-	215
Field, camp, supplies	234	-	-	-	234
Fuel, gas, propane	177	-	-	-	177
General, administrative, sundry	15	-	19	-	34
Geology	301	-	-	-	301
Local labour	503	-	-	-	503
Machinery and equipment	52	-	-	-	52
Metallurgy	171	-	-	-	171
Reclamation	20	-	-	-	20
Recovery of taxes	(774)	-	-	-	(774)
Rental and storage	103	-	-	2	105
Royalties	53	-	-	-	53
Salaries	157	-	-	-	157
Surface taxes	1	-	-	17	18
Surveying	6	-	-	-	6
Transportation	541	-	-	-	541
Utilities	39	-	-	-	39
Recoveries	-	-	(62)	-	(62)
Foreign currency translation adjustment	(1,074)	(69)	(143)	(68)	(1,354)
Balance, December 31, 2022	18,453	997	1,361	530	21,341
Mineral property interests:					
Balance, December 31, 2022	\$ 22,361	\$ 1,345	\$ 2,016	\$ 553	\$ 26,277

CANAGOLD RESOURCES LTD.

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7. Mineral Property Interests (continued)

	Canada		USA		Total
	British Columbia		Nevada		
	New Polaris (Note 7(a)(i))	Windfall Hills (Note 7(a)(ii))	Fondaway Canyon (Notes 7(b)(i))	Corral Canyon (Note 7(b)(ii))	
Acquisition Costs:					
Balance, December 31, 2020	\$ 3,927	\$ 368	\$ 1,641	\$ 25	\$ 5,961
Additions	13	-	-	-	13
Recoveries	-	-	(359)	-	(359)
Foreign currency translation adjustment	1	2	7	-	10
Balance, December 31, 2021	3,941	370	1,289	25	5,625
Deferred Exploration Expenditures:					
Balance, December 31, 2020	6,683	1,046	1,573	557	9,859
Additions:					
Exploration:					
Assays and sampling	105	2	-	-	107
Community and social	3	-	-	-	3
Drilling	4,250	-	-	-	4,250
Engineering	34	-	-	-	34
Environmental	534	-	-	-	534
Field, camp, supplies	401	-	-	-	401
Fuel, gas, propane	296	-	-	-	296
General, administrative, sundry	14	-	3	-	17
Geology	570	-	-	-	570
Local labour	594	-	-	-	594
Machinery and equipment	136	-	-	-	136
Metallurgy	(7)	-	-	-	(7)
Rental and storage	83	-	20	1	104
Salaries	110	10	2	2	124
Surface taxes	10	-	-	17	27
Surveying	23	-	-	-	23
Transportation	1,062	-	-	-	1,062
Utilities	46	-	3	-	49
Recoveries	-	-	(61)	-	(61)
Foreign currency translation adjustment	21	4	7	2	34
Balance, December 31, 2021	14,968	1,062	1,547	579	18,156
Mineral property interests:					
Balance, December 31, 2021	\$ 18,909	\$ 1,432	\$ 2,836	\$ 604	\$ 23,781

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7. Mineral Property Interests (continued)

(a) Canada:

(i) New Polaris (British Columbia):

The New Polaris property, which is located in the Atlin Mining Division, British Columbia, is 100% owned by the Company subject to a 15% net profit interest which may be reduced to a 10% net profit interest within one year of commercial production by issuing 150,000 common shares to Rembrandt Gold Mines Ltd. Acquisition costs at December 31, 2022 include a reclamation bond for \$224,000 (2021 - \$218,000).

(ii) Windfall Hills (British Columbia):

The Company owns 100% undivided interests in two adjacent gold properties (Uduk Lake and Dunn properties) located in British Columbia. The Uduk Lake properties are subject to a 1.5% NSR production royalty that can be purchased for CAD\$1 million and another 3% NSR production royalty. The Dunn properties are subject to a 2% NSR royalty which can be reduced to 1% NSR royalty for \$500,000.

(iii) Princeton (British Columbia):

In December 2018 and then as amended in June 2019, the Company entered into a property option agreement jointly with Universal Copper Ltd. (formerly, Tasca Resources Ltd.) (“Universal”) and an individual. In October 2020, the Company assigned its interest in the property option agreement for the Princeton property to Damara Gold Corp. (“Damara”). Pursuant to the assignment, Damara issued 9.9% of its outstanding common shares to the Company on closing of the assignment at a fair value of \$228,500. After reducing the carrying value of the property to \$nil by recording a \$228,000 recovery to the mineral property, the Company recorded mineral property option income of \$500 for the year ended December 31, 2020. Subject to the exercise of the option by December 31, 2022, the Company’s aggregate ownership in the capital of Damara shall increase to 19.9% which Damara did exercise by the issuance of 9.8 million Damara shares to the Company at a fair value of \$588,800 which was recorded as mineral property option income for the year ended December 31, 2021.

(iv) Hard Cash and Nigel (Nunavut):

In November 2018, the Company entered into a property option agreement with Silver Range Resources Ltd. (“Silver Range”) whereby the Company had an option to earn a 100% undivided interest in the Hard Cash and Nigel properties by paying CAD\$150,000 in cash and issuing 1.5 million common shares to Silver Range over a four year period.

In 2020, the Company terminated the property option agreement, and accordingly indicators of impairment existed leading to a test of recoverable amount which resulted in an impairment loss of \$1.1 million. A value in use calculation is not applicable as the Company does not have any expected cash flows from the property option agreement at this stage. In estimating the fair value less costs of disposal, management did not have observable or unobservable input to estimate the recoverable amount greater than \$nil. As this valuation technique requires management’s judgment and estimates of recoverable amount, it is classified as Level 3 of the fair value hierarchy.

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7. Mineral Property Interests (continued)

(b) United States:

(i) Fondaway Canyon (Nevada):

On March 20, 2017, the Company closed the Membership Interest Purchase Agreement with AIM (the “Membership Agreement”) whereby the Company acquired 100% legal and beneficial interests in mineral properties located in Nevada, Idaho and Utah (USA) for a total cash purchase price of \$2 million in cash and honouring pre-existing NSRs. Certain of the mineral properties are subject to royalties. For the Fondaway Canyon project, it bears both a 3% NSR and a 2% NSR. The 3% NSR has a buyout provision for an original amount of \$600,000 which is subject to advance royalty payments of \$35,000 per year by July 15th of each year until a gross total of \$600,000 has been paid at which time the NSR is bought out a balance of \$425,000 with a fair value of \$183,000 was outstanding upon the closing of the Membership Agreement; a balance of \$215,000 remains payable as at December 31, 2022 (2021 - \$250,000). The 2% NSR has a buyout provision of either \$2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least \$5 million.

On October 16, 2019, the Company signed a binding Letter Agreement with Getchell Gold Corp. (“Getchell”) which was later superseded by the Option Agreement for the Acquisition of Fondaway Canyon and Dixie Comstock Properties on January 3, 2020, whereby Getchell has an option for four years to acquire 100% of the Fondaway Canyon and Dixie Comstock properties located in Churchill County, Nevada (both subject to a 2% NSR) for \$4 million in total compensation to the Company, comprised of \$2 million in cash and \$2 million in shares of Getchell. Payment terms by Getchell are as follows:

	Cash		US\$ equivalent in Getchell Shares	
At signing of agreement	\$ 100	(received in 2020)	\$ 100	(received in 2020 with fair value of \$ 104,600)
1st anniversary	100	(received in 2020)	200	(received in 2020 with fair value of \$ 208,400)
2nd anniversary	100	(received in 2021)	300	(received in 2021 with fair value of \$ 259,000)
3rd anniversary	100	(received in 2022)	400	(received in 2022 with fair value of \$ 376,000)
4th anniversary	1,600		1,000	
	<u>\$ 2,000</u>		<u>\$ 2,000</u>	

The option includes minimum annual work commitments of \$1.45 million on the properties. Getchell must also honor the pre-existing NSR and advance royalty commitments related to the properties, and grant the Company a 2% NSR on the Fondaway Canyon and Dixie Comstock properties of which half (1%) can be bought for \$1 million per property.

(ii) Corral Canyon (Nevada):

In 2018, the Company staked 92 mining claims in Nevada, USA.

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7. Mineral Property Interests (continued)

(b) United States: (continued)

(iii) Silver King (Nevada):

In October 2018, the Company entered into a property option agreement for its Silver King property with Brownstone Ventures (US) Inc. (“Brownstone”) whereby Brownstone has an option to earn a 100% undivided interest by paying \$240,000 in cash over a 10 year period with early option exercise payment of \$120,000. The Company will retain a 2% NSR of which a 1% NSR can be acquired by Brownstone for \$1 million. The Company received \$12,000 cash in 2022 (2021 - \$12,000) which was recognized as mineral property option income.

(iv) Lightning Tree (Idaho):

On September 10, 2020, the Company entered into an option agreement in the form of a definitive mineral property purchase agreement for its Lightning Tree property located in Lemhi County, Idaho, with Ophir Gold Corp. (“Ophir”), whereby Ophir shall acquire a 100% undivided interest in the property. In order to acquire the property, over a three-year period, Ophir shall pay to the Company a total of CAD\$137,500 in cash over a three-year period and issue 2.5 million common shares and 2.5 million warrants over a two-year period, and shall incur aggregate exploration expenditures of at least \$4 million over a three-year period. The Company will retain a 2.5% NSR of which a 1% NSR can be acquired by Ophir for CAD\$1 million. If Ophir fails to file a NI 43-101 compliant resource on the Lightning Tree property within three years, the property will not be conveyed to Ophir. In 2022, the Company received CAD\$50,000 cash (2021 - CAD\$25,000). In 2021 the Company received 1.25 million shares with a fair value of \$159,600 and 1.25 million warrants with a fair value of \$5,000, all of which were recognized as mineral property option income.

(v) Hot Springs Point (Nevada):

In July 2022, the Company entered into a Real Estate Purchase and Sale Agreement for the Hot Springs Point property located in Eureka County, Nevada, with a third party (the “Purchaser”), whereby the Purchaser acquired a 100% interest for \$480,000 (received). The Purchaser also grants a 3% NSR to the Company. The entire amount received was recognized in mineral property option income as a gain as Hot Springs book value on acquisition day by the Company was \$nil; Hot Springs being incidental to the Fondaway Canyon property when they were acquired together.

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7. Mineral Property Interests (continued)

(c) Expenditure options:

As at December 31, 2022, to maintain the Company's interest and/or to fully exercise the options under various property agreements covering its properties, the Company must make payments as follows:

	Cash Payments (CAD\$000)	Cash Payments (US\$000)	Annual Payments (US\$000)	Number of Shares
New Polaris (Note 7(a)(i)):				
Net profit interest reduction or buydown	\$ -	\$ -	\$ -	150,000
Fondaway Canyon (Note 7(b)(i)):				
Advance royalty payment for buyout of 3% net smelter return ⁽¹⁾	-	-	35	-
Buyout provision for net smelter return of 2% ⁽²⁾	-	2,000	-	-
Windfall Hills (Note 7(a)(ii)):				
Buyout provision for net smelter return of 1.5%	1,000	-	-	-
Reduction of net smelter return of 2% to 1%	-	500	-	-
	\$ 1,000	\$ 2,500	\$ 35	150,000

⁽¹⁾ Advance royalty payments of \$215,000 remain payable as at December 31, 2022 with annual payments of \$35,000. Pursuant to the option agreement, Getchell will be obligated to pay the annual advance royalty (Note 7b)(i).

⁽²⁾ The 2% NSR has a buyout provision of either \$2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least \$5 million.

These amounts may be reduced in the future as the Company determines which mineral property interests to continue to explore and which to abandon.

(d) Title to mineral property interests:

The Company has diligently investigated rights of ownership of all of its mineral property interests/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties and concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(e) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the mineral properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

CANAGOLD RESOURCES LTD.

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7. Mineral Property Interests (continued)

(f) Environmental:

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its current properties and former properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

8. Equipment

	Leasehold Improvements	Office Furnishings and Equipment	Right of Use Asset	Total
Cost:				
Balance, December 31, 2020	\$ 89	\$ 47	\$ 120	\$ 256
Acquisitions	-	16	-	16
Foreign currency translation adjustment	-	-	1	1
Balance, December 31, 2021	89	63	121	273
Acquisitions	117	2	272	391
Dispositions	(84)	-	(113)	(197)
Foreign currency translation adjustment	(6)	(4)	(9)	(19)
Balance, December 31, 2022	116	61	271	448
Accumulated amortization:				
Balance, December 31, 2020	60	28	85	173
Amortization	18	13	24	55
Foreign currency translation adjustment	-	-	1	1
Balance, December 31, 2021	78	41	110	229
Amortization	18	9	33	60
Dispositions	(84)	-	(113)	(197)
Foreign currency translation adjustment	(4)	(3)	(11)	(18)
Balance, December 31, 2022	8	47	19	74
Net book value:				
Balance, December 31, 2021	\$ 11	\$ 22	\$ 11	\$ 44
Balance, December 31, 2022	\$ 108	\$ 14	\$ 252	\$ 374

The Company had a lease agreement for its headquarter office space in Vancouver, British Columbia. Its office lease term ended in July 2022 and a new office lease term started in September 2022 for a different office. The lease was set up as a right-of-use asset under the IFRS rules and 6.60% discount rate was used.

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

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9. Liabilities

(a) Flow Through Premium Liability

On October 28, 2021, the Company closed a private placement for 10.6 million flow through common shares at CAD\$0.50 per share for gross proceeds of CAD\$5.3 million. The fair value of the shares was CAD\$0.46 per share, resulting in the recognition of a flow through premium liability of CAD\$0.04 per share for a total of CAD\$425,700.

On December 30, 2021, the Company closed a private placement for 560,000 flow through common shares at CAD\$0.50 per share for gross proceeds of CAD\$280,000. The fair value of the shares was CAD\$0.37 per share, resulting in the recognition of a flow through premium liability of CAD\$0.13 per share for a total of CAD\$72,800.

On January 19, 2022, the Company closed a private placement for 4.05 million flow through common shares at CAD\$0.50 per share for gross proceeds of CAD\$2.03 million. The fair value of the shares was CAD\$0.39 per share, resulting in the recognition of a flow through premium liability of CAD\$0.11 per share for a total of CAD\$445,500.

On October 19, 2022, the Company closed a private placement for 4.7 million flow through common shares at CAD\$0.32 per share for gross proceeds of CAD\$1.5 million. The fair value of the shares was CAD\$0.26 per share, resulting in the recognition of a flow through premium liability of CAD\$0.06 per share for a total of CAD\$282,000.

Balance, December 31, 2019	\$	-
Add:		
Excess of subscription price over fair value of flow through common shares		9
Less:		
Income tax recovery		(9)
Balance, December 31, 2020		<hr/>
		-
Add:		
Excess of subscription price over fair value of flow through common shares		402
Foreign currency translation adjustment		2
Less:		
Income tax recovery		(206)
Balance, December 31, 2021		<hr/>
		198
Add:		
Excess of subscription price over fair value of flow through common shares		561
Foreign currency translation adjustment		(8)
Less:		
Income tax recovery		(719)
Balance, December 31, 2022	\$	<hr/>
		32

In connection with the flow through common shares issued during the year ended December 31, 2022, the Company has an obligation to incur qualified expenditures of CAD\$229,000 by the 2023 fiscal year.

In connection with the flow through common shares issued during the year ended December 31, 2021, the Company has an obligation to incur qualified expenditures of CAD\$2.2 million by the 2022 fiscal year. This obligation was fulfilled as at December 31, 2022.

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Notes to the Consolidated Financial Statements

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9. Liabilities (continued)

(b) Deferred Royalty Liability

The 3% NSR for the Fondaway Canyon project (Note 7(b)(i)) has a buyout provision for an original amount of \$600,000. The buyout amount is subject to advance royalty payments of \$35,000 per year by July 15th of each year until the full gross total of \$600,000 has been paid. The remaining balance was \$425,000 at the closing of the Membership Agreement in March 2017. The \$425,000 was discounted to a fair value of \$183,000 in 2017 using a discount rate of 18%. The liability is being accreted over time as follows:

Balance, December 31, 2020	\$	151
Add:		
Accretion		26
Less:		
Advance royalty payment		(35)
Balance, December 31, 2021		<u>142</u>
Add:		
Accretion		24
Less:		
Advance royalty payment		(35)
Balance, December 31, 2022	\$	<u>131</u>
Current portion ⁽¹⁾	\$	35
Long term portion		<u>96</u>
Balance, December 31, 2022	\$	<u>131</u>

⁽¹⁾ Pursuant to the option agreement, Getchell will be obligated to pay the annual advance royalty (Note 7(b)(i)). Getchell paid an annual advance royalty of \$35,000 in July 2022 and July 2021.

CANAGOLD RESOURCES LTD.

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9. Liabilities (continued)

(c) Lease Liability

The continuity of the lease liability for the years ended December 31, 2022 and 2021 is as follows:

Balance, December 31, 2020	\$	51
Add:		
Interest		7
Foreign currency translation		1
Less:		
Payments		(38)
Balance, December 31, 2021		21
Add:		
New office lease		272
Interest		7
Foreign currency translation		(1)
Less:		
Payments		(42)
Balance, December 31, 2022	\$	257
Current portion	\$	62
Long term portion		195
Balance, December 31, 2022	\$	257

(d) Loans Payable

On June 28, 2022, the Company arranged a loan for CAD\$25,000 from a company controlled by a former director. The loan bore interest at a rate of 9% per annum, and the entire loan amount of CAD\$25,000 was fully repaid on July 14, 2022 along with interest of CAD\$99.

On August 15, 2022, the Company entered into a Bridge Loan Agreement with Sun Valley Investments AG (“Sun Valley”), which is currently a 40.06% control person of the Company for CAD\$2.5 million bearing an interest rate of 5.5% per annum. The bridge loan was applied as an advance payment for the standby guaranty for the rights offering (Note 10(b)(i)) and extinguished in December 2022 when Sun Valley purchased 20,352,577 common shares. The Company paid Sun Valley a total of CAD\$46,336 in interest and a total of CAD\$178,085 in fees (accounted as share issuance expense part of the Shareholder Equity) pursuant to the Standby Guaranty Agreement.

CANAGOLD RESOURCES LTD.

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10. Share Capital

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

- (i) In November 2022, the Company proceeded with a rights offering whereby shareholders of the Company received one right for each common share held. Each two rights entitled holders to subscribe for one common share at a price of CAD\$0.175. The Company closed the offering on December 16, 2022 and issued 25.3M common share for total gross proceeds of CAD\$4.4 million. The Company also entered into a standby guaranty agreement with Sun Valley whereby Sun Valley shall purchase common shares issuable under the rights offering which remain unsubscribed under the basic subscription privilege and the additional subscription privilege. In August 2022, the Company obtained a bridge loan of CAD\$2.5 million from Sun Valley as an advance payment for the standby guaranty (Note 9(d)). Pursuant to the standby guaranty agreement, Canagold issued 20.4M common shares to Sun Valley. From the CAD\$3.6 million gross proceeds received from Sun Valley, the Company deducted a total of CAD\$2.5 million to pay back and terminate the \$2.5M loan provided by Sun Valley in August 2022 plus accrued interest of CAD\$46,336, and a total of CAD\$178,085 in fees pursuant to the standby guaranty agreement.

On October 19, 2022, the Company closed a private placement for 4.7 million flow through common shares at a price of CAD\$0.32 per share for gross proceeds of CAD\$1.5 million. The fair value of the shares was CAD\$0.26 per share, resulting in the recognition of a flow through premium liability of CAD\$0.06 per share for a total of CAD\$282,000.

- (ii) In December 2021 and January 2022, the Company closed a private placement in two tranches totalling 4.61 million flow through common shares at a price of CAD\$0.50 per share for gross proceeds of CAD\$2.3 million. On December 30, 2021, the Company closed the first tranche for 560,000 flow through shares for gross proceeds of CAD\$280,000. On January 18, 2022, the Company closed the second tranche for 4.05 million flow through shares for gross proceeds of CAD\$2.03 million.

On October 28, 2021, the Company closed a brokered private placement with Red Cloud Securities Inc. ("Red Cloud") for 10.6 million flow through common shares at a price of CAD\$0.50 per share for gross proceeds of CAD\$5.3 million. Finders' fees were comprised of CAD\$253,555 in cash and 638,510 broker warrants with each broker warrant exercisable to acquire one non flow through common share at an exercise price of CAD\$0.75 until October 28, 2023.

In 2021, stock options for 650,000 shares were exercised for proceeds of \$204,100 and \$179,700 was reallocated from reserve for share-based payments to share capital. Stock options for 210,000 common shares were cancelled for the exercise of share appreciation rights for 104,884 common shares at a fair value of CAD\$0.68 per share. Also warrants for 301,624 common shares were exercised for proceeds of \$72,000, and \$33,100 was reallocated from reserve for share-based payments to share capital.

CANAGOLD RESOURCES LTD.

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10. Share Capital (continued)

(b) Issued: (continued)

(iii) In October and November 2020, the Company closed a private placement in two tranches totaling 21 million units at a price of CAD\$0.40 per unit for gross proceeds of CAD\$8.4 million with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.65 per share for a period of two years. On October 7, 2020, the Company closed the first tranche for 8 million units for gross proceeds of CAD\$3.2 million. On November 12, 2020, the Company closed the second tranche for 13 million units for gross proceeds of CAD\$5.2 million; the second tranche received interested and disinterested shareholder approvals at the Company's special general meeting held on October 19, 2020. Finders' fees included CAD\$176,400 in cash and 385,200 warrants with the same terms as the underlying warrants in the private placement. If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the Toronto Stock Exchange ("TSX"), the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

In 2020, stock options for 576,000 shares were exercised for proceeds of \$138,000 and \$98,000 was reallocated from reserve for share-based payments to share capital.

Stock options for 280,000 common shares were cancelled for the exercise of share appreciation rights for 143,303 common shares at a fair value of CAD\$0.55 per share.

(c) Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees, and consultants to acquire up to 17,311,919. The exercise price of each stock option cannot be lower than the last recorded sale of a board lot on the TSX during the trading day immediately preceding the date of granting or, if there was no such date, the high/low average price for the common shares on the TSX based on the last five trading days before the date of the grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the board at the time the stock options are granted.

At the discretion of the board, certain stock option grants provide the holder the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the stock options.

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For the Years ended December 31, 2022, 2021 and 2020

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10. Share Capital (continued)

(c) Stock option plan: (continued)

The continuity of outstanding stock options for the years ended December 31, 2022, 2021 and 2020 is as follows:

	2022		2021		2020	
	Number of Shares	Weighted average exercise price (CAD\$)	Number of Shares	Weighted average exercise price (CAD\$)	Number of Shares	Weighted average exercise price (CAD\$)
Outstanding balance, beginning of year	6,665,000	\$0.48	3,210,000	\$0.42	3,550,000	\$0.37
Granted	-	-	4,315,000	\$0.50	840,000	\$0.50
Exercised	-	-	(650,000)	\$0.39	(576,000)	\$0.31
Cancelled	-	\$0.00	(210,000)	\$0.40	(280,000)	\$0.30
Forfeited	(4,020,000)	\$0.46	-	-	(140,000)	\$0.39
Expired	(410,000)	\$0.50	-	-	(184,000)	\$0.42
Outstanding balance, end of year	2,235,000	\$0.49	6,665,000	\$0.48	3,210,000	\$0.42
Exercise price range		\$0.30 - \$0.52		\$0.25 - \$0.55		\$0.25 - \$0.55

In 2022, the weighted average share price for the stock option exercise is N/A (2021 - CAD\$0.54 and 2020 - \$0.66)

The following table summarizes information about stock options exercisable and outstanding at December 31, 2022 and 2021:

	Options Outstanding			Options Exercisable		
	Number	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)	Number	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)
Outstanding at Dec 31, 2022						
160,000	0.49	\$0.40	160,000	0.49	\$0.40	
215,000	0.53	\$0.52	161,250	0.53	\$0.52	
80,000	1.49	\$0.30	80,000	1.49	\$0.30	
180,000	2.49	\$0.50	180,000	2.49	\$0.50	
1,100,000	3.48	\$0.50	1,100,000	3.48	\$0.50	
500,000	3.53	\$0.52	375,000	3.53	\$0.52	
2,235,000	2.84	\$0.49	2,056,250	2.86	\$0.49	

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10. Share Capital (continued)

(c) Stock option plan: (continued)

Exercise Prices (CAD\$)	Number Outstanding at Dec 31, 2021	Options Outstanding		Exercise Prices (CAD\$)	Number Exercisable at Dec 31, 2021	Options Exercisable	
		Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)			Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)
\$0.50	410,000	0.42	\$0.50	410,000	0.42	\$0.50	
\$0.40	520,000	1.49	\$0.40	520,000	1.49	\$0.40	
\$0.52	215,000	1.53	\$0.52	53,750	1.53	\$0.52	
\$0.30	100,000	1.86	\$0.30	100,000	1.86	\$0.30	
\$0.25	100,000	1.86	\$0.25	100,000	1.86	\$0.25	
\$0.40	60,000	2.22	\$0.40	60,000	2.22	\$0.40	
\$0.30	400,000	2.49	\$0.30	400,000	2.49	\$0.30	
\$0.50	680,000	3.49	\$0.50	680,000	3.49	\$0.50	
\$0.55	80,000	3.63	\$0.55	60,000	3.63	\$0.55	
\$0.50	3,600,000	4.48	\$0.50	1,800,000	4.48	\$0.50	
\$0.52	500,000	4.53	\$0.52	125,000	4.53	\$0.52	
	6,665,000	3.58	\$0.48	4,308,750	3.19	\$0.46	

During the year ended December 31, 2022, the Company recognized share-based payments of \$154,000 (2021 - \$974,000 and 2020 - \$170,000), net of forfeitures, based on the fair value of stock options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants, as applicable, as follows:

	2022	2021	2020
Directors and officers	\$ 159	\$ 929	\$ 148
Employees	1	12	3
Consultants	(6)	33	19
	\$ 154	\$ 974	\$ 170

CANAGOLD RESOURCES LTD.

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10. Share Capital (continued)

(c) Stock option plan: (continued)

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	2022	2021	2020
Number of stock options granted	-	4,315,000	840,000
Fair value of stock options granted (CAD\$)	n/a	\$0.38	\$0.31
Market price of shares on grant date (CAD\$)	n/a	\$0.49	\$0.48
Pre-vest forfeiture rate	n/a	13.04%	13.27%
Risk-free interest rate	n/a	0.78%	0.33%
Expected dividend yield	n/a	0%	0%
Expected stock price volatility	n/a	129%	94%
Expected option life in years	n/a	3.83	3.98

Expected stock price volatility is based on the historical price volatility of the Company's common shares. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares.

In fiscal 2020, the Company granted the following stock options:

- 760,000 stock options to directors, officers and employees with an exercise price of CAD\$0.50 and an expiry date of June 29, 2025, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter; and
- 80,000 stock options to a director with an exercise price of CAD\$0.55 and an expiry date of August 19, 2025, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter.

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10. Share Capital (continued)

(c) Stock option plan: (continued)

In fiscal 2021, the Company granted the following stock options:

- 3.6 million stock options to directors, officers and employees with an exercise price of CAD\$0.50 and an expiry date of June 24, 2026, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter; and
- 715,000 stock options to an officer and a consultant with an exercise price of CAD\$0.52 of which 500,000 stock options have an expiry date of July 12, 2026 and 215,000 stock option with an expiry date of July 12, 2023, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter.

(d) Warrants:

At December 31, 2022, the Company had outstanding warrants as follows:

Exercise Prices (CAD\$)	Expiry Dates	Outstanding at December 31, 2021	Issued	Exercised	Expired	Outstanding at December 31, 2022
\$0.65	October 7, 2022 ⁽²⁾	4,000,000	-	-	(4,000,000)	-
\$0.65	November 12, 2022 ⁽²⁾	6,500,000	-	-	(6,500,000)	-
\$0.65	November 12, 2022 ^{(2), (3)}	385,200	-	-	(385,200)	-
\$0.75	October 28, 2023 ⁽⁴⁾	638,510	-	-	-	638,510
		11,523,710	-	-	(10,885,200)	638,510

At December 31, 2021, the Company had outstanding warrants as follows:

Exercise Prices (CAD\$)	Expiry Dates	Outstanding at December 31, 2020	Issued	Exercised	Expired	Outstanding at December 31, 2021
\$0.30	July 23, 2021 ⁽¹⁾	301,624	-	(301,624)	-	-
\$0.65	October 7, 2022 ⁽²⁾	4,000,000	-	-	-	4,000,000
\$0.65	November 12, 2022 ⁽²⁾	6,500,000	-	-	-	6,500,000
\$0.65	November 12, 2022 ^{(2), (3)}	385,200	-	-	-	385,200
\$0.75	October 28, 2023 ⁽⁴⁾	-	638,510	-	-	638,510
		11,186,824	638,510	(301,624)	-	11,523,710

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10. Share Capital (continued)

(d) Warrants: (continued)

At December 31, 2020, the Company had outstanding warrants as follows:

Exercise Prices (CAD\$)	Expiry Dates	Outstanding at December 31, 2019	Issued	Exercised	Expired	Outstanding at December 31, 2020
\$0.30	July 23, 2021 ⁽¹⁾	301,624	-	-	-	301,624
\$0.65	October 7, 2022 ⁽²⁾	-	4,000,000	-	-	4,000,000
\$0.65	November 12, 2022 ⁽²⁾	-	6,500,000	-	-	6,500,000
\$0.65	November 12, 2022 ^{(2),(3)}	-	385,200	-	-	385,200
		301,624	10,885,200	-	-	11,186,824

(1) As these warrants are agent's warrants, a fair value of \$33,110 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 89%, risk-free rate 1.44%, expected life 2 years, and expected dividend yield 0%.

(2) If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the TSX, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

(3) As these warrants are agent's warrants, a fair value of \$126,560 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 105%, risk-free rate 0.26%, expected life 2 years, and expected dividend yield 0%.

(4) As these warrants are agent's warrants, a fair value of \$152,360 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 153%, risk-free rate 1%, expected life 2 years, and expected dividend yield 0%.

In 2022, the weighted average share price for the warrant exercise is CAD\$nil (2021 - \$0.63 and 2020 - n/a).

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10. Share Capital (continued)

(e) Common shares reserved for issuance:

	Number of Shares		
	December 31,		
	2022	2021	2020
Stock options (Note 10(c))	2,235,000	6,665,000	3,210,000
Warrants (Note 10(d))	638,510	11,523,710	11,186,824
Balance	2,873,510	18,188,710	14,396,824

11. Corporate Development and General and Administrative

	Years ended December 31,		
	2022	2021	2020
Corporate Development:			
Geology and technical review	\$ 21	\$ -	\$ 7
Salaries and remuneration	91	-	34
Sundry	-	-	17
Travel and transportation	-	-	5
	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ 63</u>
General and Administrative:			
Accounting, audit and tax	\$ 61	59	32
Legal	73	4	24
Office and sundry	151	117	82
Regulatory	446	76	54
Rent	46	39	36
Travel	59	-	-
	<u>\$ 837</u>	<u>\$ 295</u>	<u>\$ 228</u>

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12. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following general and administrative costs with related parties during the years ended December 31, 2022, 2021 and 2020:

	Years ended December 31,			Net balance receivable (payable) as at December 31,	
	2022	2021	2020	2022	2021
Key management compensation:					
Executive salaries and remuneration ⁽¹⁾	\$ 647	\$ 567	\$ 562	\$ 106	\$ 126
Severance	191	-	-	-	-
Directors fees	70	26	33	57	-
Share-based payments	154	929	148	-	-
	<u>\$ 1,062</u>	<u>\$ 1,522</u>	<u>\$ 743</u>	<u>\$ 163</u>	<u>\$ 126</u>
Net office, sundry, rent and salary allocations recovered from (incurred to) company sharing a common director ⁽²⁾	\$ 1	\$ 8	\$ 5	\$ 1	\$ 1

(1) Includes key management compensation which is included in employee and director remuneration, mineral property interests, and corporate development.

(2) The company is Aztec Minerals Corp., which shared one common director until July 2022.

The above transactions are incurred in the normal course of business.

Note 9(d) provides further details regarding a demand loan with a former director and bridge loan from Sun Valley.

13. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada and the United States, as follows:

	December 31, 2022			December 31, 2021		
	Canada	USA	Total	Canada	USA	Total
Mineral property interests	\$ 23,708	\$ 2,569	\$ 26,277	\$ 20,341	\$ 3,440	\$ 23,781
Mineral property deposits	166	-	166	-	-	-
Equipment	374	-	374	44	-	44

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

14. Commitments

In February 2017, the Company entered into an office lease arrangement for a term of five years with a commencement date of August 1, 2017 which ended on July 31, 2022.

In January 2022, the Company entered into an office lease arrangement for a term of five years with a commencement date of September 1, 2022. The basic rent per year is CAD\$84,700 for years 1 to 2, CAD\$87,300 for years 3 to 4, and CAD\$89,900 for year 5. As at September 30, 2022, the Company is committed to the following payments for base rent at its corporate head office in Vancouver, BC, as follows:

	Amount	
	(CAD\$000)	
Year:		
2023	\$	85
2024	\$	86
2025	\$	87
2026	\$	88
2027	\$	60
	\$	406

For the Fondaway Canyon project, the 3% NSR has a buyout provision which is subject to advance royalty payments of \$35,000 per year by July 15th of each year until a gross total of \$600,000 has been paid at which time the NSR is bought out. A balance of \$215,000 remains payable as at December 31, 2022 (Notes 7(b)(i) and 9(b)).

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

15. Deferred Income Taxes

- (a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2022	2021
Net loss for the year	\$ (1,306)	\$ (1,832)
Canadian statutory tax rate	27.00%	27.00%
Income tax benefit computed at statutory rates	(353)	(495)
Differences between Canadian and foreign tax rates	-	2
Temporary differences	889	(333)
Items not taxable/deductible for income tax purposes	(155)	208
Tax losses and tax offsets not recognized	52	(282)
Under (over) provided in prior years	864	900
Impact of foreign exchange	102	
Deferred income tax expense	\$ 1,399	\$ -

Effective January 1, 2018, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 12% for a total Canadian statutory tax rate of 27%.

- (b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2022 and 2021 are presented below:

	December 31,	
	2022	2021
Deferred tax assets:		
Non-capital losses carried forward	\$ 520	\$ 719
Deferred tax liabilities:		
Book value of marketable securities		-
Book value over tax value of mineral properties	(1,919)	(719)
Net deferred tax assets	\$ (1,399)	\$ -

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

15. Deferred Income Taxes (continued)

- (c) The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31,	
	2022	2021
Non-capital losses	\$ 12,048	\$ 7,803
Marketable securities	211	115
Share issue costs	689	548
Unrealized foreign exchange	257	163
Tax value over book value of mineral properties	-	4,480
Tax value over book value of equipment	1,664	1,409
Unrecognized deductible temporary differences	\$ 14,869	\$ 14,518

As at December 31, 2022, the Company's unrecognized unused non-capital losses have the following expiry dates:

2026	\$ 53
2027	227
2028	-
2029	-
2030	458
2031	783
2032	840
2033	274
2034	819
2035	1,021
2036	-
2037	1,897
2038	803
2039	789
2040	799
2041	1,330
2042	1,545
No date of expiry	929
	\$ 12,567

- (d) In addition to corporate income taxes, the Company is also subject to other provincial and federal mining and sales taxes. The \$1.1 million receivables amount reported on the Consolidated Statement of Financial Position of the Company is comprised of taxes receivable from the Canadian tax authorities (federal GST credits and British Columbia mineral tax credits). Although the Company has been successful in the past with applications for these credits, there is a risk that the tax claims may be denied or reduced by the tax authorities.

CANAGOLD RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2022, 2021 and 2020

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

16. COVID-19

In 2022, the coronavirus global pandemic (“COVID-19”) affected the global economy as well as caused volatility in the global financial markets. The full impact of COVID-19 on the global economy remains uncertain and continued adverse affects of COVID-19 remain a risk. The extent to which COVID-19 may impact the Company’s business will depend on developments such as the geographic spread of the disease, the duration of the outbreak, vaccination rates, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. It is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these consolidated financial statements.

17. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2022, 460,000 stock options at a weighted average exercise price of CAD\$0.47 expired unexercised.

CORPORATE INFORMATION

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DIRECTORS

Sofia Bianchi
Carmen Letton
Andrew Trow
Kadri Dagdelen
Michael Doyle

OFFICERS

Catalin Kilofliski ~ Chief Executive Officer
Michael Doyle ~ Chief Technical Officer
Garry Biles ~ President and Chief Operating Officer
Troy Gill ~ Vice President (Exploration)
Knox Henderson – Vice President (Corporate Development)
Mihai Draguleasa ~ Chief Financial Officer and Corporate Secretary

REGISTRAR AND TRANSFER AGENT

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3rd Floor, 510 Burrard Street
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AUDITORS

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SOLICITORS AND REGISTERED OFFICE

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SHARES LISTED

Trading Symbols
TSX: CCM
OTC-QB: CRCUF
DBFrankfurt: CAN



CANAGOLD

CANAGOLD RESOURCES LTD.

Fourth Quarter Report

Management Discussion and Analysis

(expressed in United States dollars)

Years ended December 31, 2022 and 2021

CANAGOLD RESOURCES LTD.
(the “Company”)

Fourth Quarter Report

Management’s Discussion and Analysis
For the Years ended December 31, 2022 and 2021
(expressed in United States dollars)

CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are “forward-looking statements”. We caution you that such “forward looking statements” involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, if any, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company’s filings with Canadian and American Securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements, other than as may be specifically required by applicable securities laws and regulations.

1.0 Preliminary Information

The following Management’s Discussion and Analysis (“MD&A”) of Canagold Resources Ltd. (the “Company”) should be read in conjunction with the accompanying the audited consolidated financial statements as at December 31, 2022, 2021 and 2020, and a summary of significant accounting policies and other explanatory information, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), all of which are available at the SEDAR website at www.sedar.com.

All dollar amounts in the MD&A are expressed in United States dollars unless otherwise indicated.

All information contained in the MD&A is effective as of March 24, 2023 unless otherwise indicated.

1.1 Background

The Company was incorporated under the laws of British Columbia, and was engaged in the acquisition, exploration, development and exploitation of precious metal properties. Currently the Company is focused on advancing its New Polaris gold project in BC (Canada).

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves in its mineral property interests, the ability of the Company to arrange appropriate financing and receive necessary permitting for the exploration and development of its property interests, confirmation of the Company’s interest in certain properties, and upon future profitable production or proceeds from the disposition thereof. Such exploration and development activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company’s control. As the carrying value and amortization of mineral property interests and capital assets are, in part, related to the Company’s mineral reserves and resources, if any, the estimation of such reserves and resources is significant to the Company’s financial position and results of operations.

CANAGOLD RESOURCES LTD.

Management's Discussion and Analysis

For the Year Ended December 31, 2022

(expressed in United States dollars)

1.2 Overall Performance

The Company currently owns a direct interest in the precious metal properties, known as the New Polaris property (British Columbia), the Windfall Hills property (British Columbia), the Fondaway Canyon property (Nevada) and the Corral Canyon property (Nevada) as well as a portfolio of smaller exploration properties in Nevada, Idaho and Montana.

1.2.1 *New Polaris property (British Columbia, Canada)*

The Company owns a 100% interest in the New Polaris property, located in the Atlin Mining Division, British Columbia, which is subject to a 15% net profit interest and may be reduced to a 10% net profit interest within one year of commercial production by issuing 150,000 common shares to Rembrandt Gold Mines Ltd.

On April 17, 2019, the Company filed on SEDAR its updated NI 43-101 report on The New Polaris Gold Project, British Columbia, Canada 2019 Preliminary Economic Assessment (the "Preliminary Economic Assessment") by Moose Mountain Technical Services ("Moose Mountain"), using flotation/bio-oxidation and CIL leaching process.

The Preliminary Economic Assessment is based upon building and operating a 750 tonne per day gold mine using bio-oxidation followed by a leaching process to produce 80,000 ounces gold per year in doré bars at site. The updated parameters in the base case economic model includes a gold price of US\$1,300 per oz, CAD\$/US\$ foreign exchange rate of 0.77, and cash costs of US\$433 per oz and all in sustaining cost US\$510 per oz. The Preliminary Economic Assessment for the New Polaris project results in an estimated after-tax net present value of CAD\$280 million using a discount rate of 5%, an estimated after-tax internal rate of return of 38%, and an estimated after tax pay-back period of 2.7 years. The Preliminary Economic Assessment is preliminary in nature, and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Given the inherent uncertainties of resources, especially inferred resources compared to reserves, the New Polaris gold mine project cannot yet be considered to have proven economic viability and there is no certainty that the results of the Preliminary Economic Assessment will be realized.

A detailed discussion of the Preliminary Economic Assessment is provided in the report itself, and select information can be found under "Extract of Selected Sections of the New Polaris Preliminary Economic Assessment Report" on pages 13-32 of the Annual Information Form dated March 28, 2022 and filed on SEDAR on March 29, 2022.

Readers are cautioned that the effective date of Preliminary Economic Assessment for New Polaris is February 28, 2019 (the "Effective Date"). Accordingly, the economic analysis contained in the Preliminary Economic Assessment is based on commodity prices, costs, sales, revenue, and other assumptions and projections that may significantly change from the Effective Date, including a gold price of US\$1,300 per oz, CAD\$/US\$ foreign exchange rate of 0.77, and cash costs of US\$433 per oz. Readers should not place undue reliance on the economic analysis contained in the Preliminary Economic Assessment because the Company cannot give any assurance that the assumptions underlying the report remain current.

The Qualified Person ("QP") pursuant to NI 43-101 for the New Polaris Preliminary Economic Assessment is Marc Schulte, P. Eng.

In September 2020, the Company was granted a Multi Year Area Based Notice of Work Mineral and Coal Exploration Activities and Reclamation Permit by the BC Ministry of Energy, Mines and Low Carbon Innovation to conduct exploration work on the property. Site preparation and refurbishment was completed to facilitate environmental baseline study and infill drilling to advance to a feasibility study. In late 2020, the Company had initiated environmental baseline studies which are required for an Environmental Assessment Certificate application and which is a critical first step in advancing the project through the BC major mine permitting process. The environmental baseline study continued in 2021 and 2022.

CANAGOLD RESOURCES LTD.

Management's Discussion and Analysis

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(expressed in United States dollars)

In 2021, the Company completed its 47-hole, 24,000 meter (m) infill drilling program designed to upgrade the Inferred Resources of the CWM vein system to an Indicated Resource category for inclusion in a future feasibility study. The infill drill holes range in depth from 300 to 650 m and are designed to provide greater density of drill intercepts (20 – 25 m spacing) in areas of Inferred Resources between 150 and 600 m below surface. The drill program was extended with an additional 6,000 m and 7 drill holes completed by the end of February 2022. The infill drill holes intercepted gold grades over widths throughout the CWM vein system that support the current resource at depth as predicted by the geological model and defined in the Preliminary Economic Assessment. Additionally, the infill drill program has defined new areas of significant gold mineralization such as the C-9 and C-10 veins that have potential to add resource to the deposit. By mid July 2022, assay results were received for all 54 holes of the drill program.

In August 2022, the Company mobilized an 8,000 m drilling program targeting the shallower high-grade Y-vein system which consists of two parallel, steeply dipping veins striking north-south and located just north of the C-West Main vein. This target provides an opportunity to define high grade resources at a shallow depth that could be accessed early in the mine life. High grade intercepts from previous drill holes in this area included 30.6 grams per tonne ("gpt") gold ("Au") over 3.2 m, 13.0 gpt Au over 6.8 m and 22.7 gpt Au over 8.0 m. The drilling program was designed to upgrade the Y-vein resources from Inferred to Indicated category for inclusion in the feasibility study and to explore this vein system for extensions at depth. By late January 2023 assay results were received for all 25 drill holes of the Y vein drill program.

In October 2022, the Company retained Ausenco Engineering Canada Inc. to complete a feasibility study for the New Polaris gold project. Key objectives for the feasibility study include:

- Resource model update (to include nearly 40,000 metres of additional drilling completed)
- Mining reserves calculation and detailed underground mine plan development
- Engineer and design all surface infrastructure and processing facilities to include among others: flotation, bio-oxidation, leaching and gold doré bar production
- Engineer and design surface dry stack tailings and waste rock disposal facility (with no long-term adverse impact on the environment)
- Evaluate all renewable power alternatives that may be feasible for New Polaris
- Complete detailed capital and operating cost estimates, including a detailed financial model for the life of the project

The feasibility study is expected to conclude by end of 2023.

Details of the expenditures amounts incurred by the Company to advance New Polaris are included in section 1.4 of this MD&A.

In October 2022, the Company signed the Hà Khustiyxh / "Our Way" agreement that establishes the framework for a cooperative and mutually respectful working relationship with the Taku River Tlingit First Nation ("TRTFN") to support Canagold's exploration and advancement activities at New Polaris while ensuring to minimize any adverse impacts of mining activity on the rights and interests of the TRTFN. The agreement also lays the foundation for negotiation of future long-term agreements as the project progresses through its permitting, construction and production phases.

Further details of the 2021 and 2022 drilling programs are provided in the Company's news releases:

- News release dated July 6, 2021 and titled, "*Canagold Announces Initial 2021 Drill Results From New Polaris Project Including 24.2 gpt Gold over 6.6 m and 15.8 gpt Gold Over 13.0 m*";
- News release dated July 19, 2021 and titled, "*Canagold Announces Additional Results From New Polaris Drill Program Including 14.3 gpt Au Over 2.7 m and 15.3 gpt Au Over 1.7 m*";
- News release dated July 27, 2021 and titled, "*Canagold Drills 30.8 gpt Gold Over 3.9 Meters at New Polaris Project*";
- News release dated September 22, 2021 and titled, "*Canagold Intersects 17.1 gpt Au Over 8.4 m in Hanging-Wall C10 Vein and 25.7 gpt Au Over 2.1 m in C West Main Vein at New Polaris, BC*";
- News release dated November 10, 2021 and titled, "*Canagold Intersects 11.1 gpt Au over 17.8 m and 11 gpt over 8.9 m in 2 Separate Hanging-Wall Veins Adjacent to C West Main Vein at New Polaris Gold Project, BC*";

CANAGOLD RESOURCES LTD.

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(expressed in United States dollars)

- News release dated November 10, 2021 and titled, “*Canagold Intersects 11.1 gpt Au over 17.8 m and 11 gpt over 8.9 m in 2 Separate Hanging-Wall Veins Adjacent to C West Main Vein at New Polaris Gold Project, BC*”;
- News release dated November 30, 2021 and titled, “*Summary of High-Grade Drill Intercepts in the C-9 and C-10 Veins at the New Polaris Project in BC*”;
- News release dated January 26, 2022 and titled, “*Canagold Announces High-Grade Drill Intercepts Containing Visible Gold from the C-West Main Zone at New Polaris Project, B*”;
- News release dated February 24, 2022 and titled, “*Canagold Continues to Intersect High-Grade Gold Mineralization in C-West Main Vein at New Polaris Project, BC*”;
- News release dated March 2, 2022 and titled, “*Canagold Drilling Intersects Deep Extension of C-West Main Vein, and Discovers New High-Grade Parallel C-Vein at New Polaris Project, BC*”;
- News release dated March 21, 2022 and titled, “*Canagold Announces Additional High-Grade Gold Drill Intercepts from the C-10 and the C-West Main Veins at New Polaris Project, BC*”;
- News release dated April 21, 2022 and titled, “*Canagold Continues to Intersect High-Grade Gold Mineralization in C-West Main Vein Including 42.5 gpt Au over 2 m at New Polaris Project, BC*”.
- News release dated June 14, 2022 and titled, “*Canagold Drilling Intersects New Vein Grading 7.54 gpt Gold over 18.6 m Length at New Polaris Project, BC, Additional High-Grade Mineralization Outlined in C-West Main Vein*”;
- News release dated June 28, 2022 and titled, “*Canagold Drilling Reports Two Highest Grade Drill Results of 54 Hole Program Including 13.6 gpt Gold over 25.1 m Length and 34.4 gpt over 6.6 m Length at New Polaris Project, BC*”;
- News release dated July 12, 2022 and titled, “*Canagold Summarizes Results of 30,000 m Infill Drill Program at New Polaris Project, BC, Highlights Include 13.6 gpt Over 25.1 m*”;
- News release dated August 18, 2022 and titled, “*Canagold Mobilizes Drill Crews and Restarts Resource Expansion Drilling at the New Polaris Project*”;
- News release dated October 11, 2022 and titled, “*Canagold Retains Ausenco Engineering to Complete Feasibility Study on New Polaris Project*”;
- News release dated October 27, 2022 and titled, “*Canagold Drills 22.1 Grams per Tonne Gold over 4.3 Metres in Y-Vein System at New Polaris*”;
- News release dated January 25, 2023 and titled, “*Canagold Announces Agreement with Taku River Tlingit First Nation for Flagship New Polaris Project*”; and
- News release dated February 6, 2023 and titled, “*Canagold Confirms Near Surface High-Grade Gold, Including 53.8 gpt Au over 2.78 m and 18.0 gpt Au over 5.64 m in Y-Vein System at New Polaris*”.

1.2.2 American Innovative Minerals, LLC

1.2.2. Purchase Agreement with American Innovative Minerals, LLC

In 2017, the Company closed a Membership Interest Purchase Agreement (the “Membership Agreement”) with American Innovative Minerals, LLC (“AIM”) and securityholders of AIM (“the AIM Securityholders”) to acquire either a direct or indirect 100% legal and beneficial interests in mineral resource properties located in Nevada, Idaho and Utah (USA) for a purchase price of \$2 million in cash and honouring pre-existing NSRs.

AIM owns 10 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates, and owns one gold property in Idaho, and has two royalty interests on other properties. These properties include the following.

1.2.2.a Fondaway Canyon and Dixie Comstock properties (Nevada, USA):

Fondaway Canyon is an advanced exploration stage gold property located in Churchill County, Nevada. The land package contains 136 unpatented lode claims. The property has a history of previous surface exploration and mining in the late 1980s and early 1990s. The Fondaway Canyon district consists of shear-zone style gold mineralization developed along 3.7 km of

CANAGOLD RESOURCES LTD.

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strike with a width of up to 900 m. Multiple exploration targets exist along major structural zones, and mineralization is locally concealed by alluvial cover.

Dixie Comstock, also located in Churchill County, Nevada, consists of 26 unpatented lode claims.

On May 1, 2017, the Company filed on SEDAR a Technical Report for the Fondaway Canyon Project prepared by Techbase International, Ltd ("Techbase") of Reno, Nevada and effective April 3, 2017. The resource estimate was prepared by Michael Norred, SME Registered Member 2384950, President of Techbase, and Simon Henderson, MSc, MAusIMM CP 110883 (Geology), Consulting Geologist with Wairaka Rock Services Limited of Wellington, New Zealand, both Qualified Persons ("QP"), as such term is defined under NI 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The resource estimate in the technical report included an estimated 409,000 indicated ounces of gold and an estimated 660,000 inferred ounces of gold grading an estimated 6.18 g/t and 6.40 g/t, respectively.

Fondaway Canyon project is subject to both a 3% NSR and a 2% NSR. The 3% NSR has a buyout provision for an initial amount of \$600,000 which is subject to advance royalty payments of \$35,000 per year by July 15th of each year until a gross total of \$600,000 has been paid at which time the NSR is bought out. A balance of \$425,000 was outstanding upon the closing of the Membership Agreement in 2017, and a balance of \$215,000 remains payable as at September 30, 2022. The 2% NSR has a buyout provision of either \$2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least \$5 million.

Dixie Comstock, also located in Churchill County, Nevada, consists of 26 unpatented lode claims. The property contains a range-front epithermal gold deposit with a non-NI 43-101 compliant resource of 146,000 ounces of gold at 1.063 grams per tonne Au.

On October 16, 2019, the Company signed a binding Letter Agreement with Getchell Gold Corp. ("Getchell") which was later superseded by the Option Agreement for the Acquisition of Fondaway Canyon and Dixie Comstock Properties on January 3, 2020, whereby Getchell has an option for 4 years to acquire 100% of the Fondaway Canyon and Dixie Comstock properties located in Churchill County, Nevada, (both subject to a 2% NSR) for \$4 million in total compensation to the Company, comprised of \$2 million in cash and \$2 million in shares of Getchell. The option includes minimum annual work commitments totalling \$1.45 million on the properties. Getchell must also honor the pre-existing NSR and advance royalty commitments related to the properties, and grant the Company a 2% NSR on the Fondaway Canyon and Dixie Comstock properties of which half (1%) can be bought for \$1 million per property. Payment terms by Getchell are as follows:

	Cash		US\$ equivalent in Getchell Shares	
At signing of agreement	\$ 100	(received in 2020)	\$ 100	(received in 2020 with fair value of \$104,600)
1st anniversary	100	(received in 2020)	200	(received in 2020 with fair value of \$208,400)
2nd anniversary	100	(received in 2021)	300	(received in 2021 with fair value of \$259,000)
3rd anniversary	100	(received in 2022)	400	(received in 2022 with fair value of \$376,000)
4th anniversary	1,600		1,000	
	\$ 2,000		\$ 2,000	

Getchell drilled 10 holes totalling 3,874 metres in its 2021 drill program. In May 2022, Getchell mobilized a drill program to follow up on its prior drilling programs.

1.2.2.b Silver King (Nevada, USA)

Silver King property is located in Humboldt County, Nevada on 4 patented claims in the Iron Point mining district near Golconda Summit. Previous exploration focused on low grade gold values but the property has never been explored for silver.

On October 25, 2018, the Company entered into an option agreement with Brownstone Ventures (US) Inc., a subsidiary of Casino Gold Corp., ("Brownstone Ventures") on the Company's wholly owned Silver King patented claim group located in

CANAGOLD RESOURCES LTD.

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Humboldt County, Nevada. Under the terms of the ten-year agreement, the Company will receive annual payments of \$12,000 plus an option exercise payment of \$120,000. Upon exercise of the option, the Company will retain a 2% NSR royalty on the property of which Brownstone Ventures will have the right to buy back one-half (1%) of the royalty for \$1 million. The Silver King property is a non-core asset in the Company's Nevada property portfolio. The Company received \$12,000 cash in 2022 (2021 - \$12,000) which was recognized as mineral property option income.

1.2.2.c Lightning Tree (Idaho, USA)

Lightning Tree property is located in Lemhi County, Idaho, on 4 unpatented claims near the Musgrove gold deposit.

On September 10, 2020, the Company entered into an option agreement in the form of a definitive mineral property purchase agreement for its Lightning Tree property located in Lemhi County, Idaho, with Ophir Gold Corp. ("Ophir"), whereby Ophir shall acquire a 100% undivided interest in the property. In order to acquire the property, over a three year period, Ophir shall pay to the Company a total of CAD\$137,500 in cash over a three year period and issue 2.5 million common shares and 2.5 million warrants over a two year period, and shall incur aggregate exploration expenditures of at least \$4 million over a three year period. If Ophir fails to incur the exploration expenditure, the property reverts back to the Company. The Company will retain a 2.5% NSR of which a 1% NSR can be acquired by Ophir for CAD\$1 million. If Ophir fails to file a NI 43-101 compliant resource on the Lightning Tree property within three years, the property will not be conveyed to Ophir. In August 2022, the Company received CAD\$50,000 cash (2021 - CAD\$25,000 cash). In 2021, the Company received 1.25 million shares with a fair value of \$159,600 (2020 - 1.25 million shares with a fair value of \$130,500) and 1.25 million warrants with a fair value of \$5,000 (2020 - 1.25 million warrants with a fair value of \$41,900), all of which were recognized as mineral property option income.

1.2.2.d Hot Springs Point (Nevada, USA)

Hot Springs Point is located in Eureka County, Nevada, on 160 acres.

In July 2022, the Company entered into a Real Estate Purchase and Sale Agreement for the Hot Springs Point property with a third party (the "Purchaser"), whereby the Purchaser acquired a 100% interest for \$480,000 (received). The Purchaser also grants a 3% NSR to the Company.

1.2.3 Windfall Hills property (British Columbia, Canada)

The Windfall Hills gold project is located 65 km south of Burns Lake, readily accessible by gravel logging roads and a lake ferry crossing in the summer-time, or by charter aircraft year-round. The project consists of the Atna properties, comprised of 2 mineral claims totalling 959 hectares and the Dunn properties, comprised of 8 mineral claims totalling 2820 hectares.

In April 2013, the Company acquired 100% undivided interests in the two adjacent gold properties (Uduk Lake and Dunn properties) located in British Columbia. The Uduk Lake properties are subject to a 1.5% NSR production royalty that can be purchased for CAD\$1 million and another 3% NSR production royalty. The Dunn properties are subject to a 2% NSR royalty which can be reduced to 1% NSR royalty for \$500,000.

In the third quarter of 2020, the Company completed a Phase 2 diamond drill program. Six drill holes were completed for a total of 1,500 meters of core over an area of 30 hectares designed to follow up from gold-silver mineralization intersected in the 2014 Phase 1 drill holes. Further analysis of the structural and lithological controls on mineralization are needed to determine the next steps for the Windfall Hills property. The Company may seek a partner to advance the project.

Further details of the drilling program for the Windfall Hills project are provided in the Company's news release dated October 21, 2020 and titled, "*Canarc Announces Results of its Special General Meeting of Shareholders Approving Upsized Financing Totaling CAD\$8.4 Million*".

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1.2.4 Princeton property (British Columbia, Canada)

The Princeton gold property consists of 22 mineral claims over 14,650 hectares located 35 kilometers (km) south of Princeton, British Columbia, and is readily accessible by road. The property contains quartz veins with high grade gold (> 10 g/t) hosted in Triassic Nicola Group metasedimentary and metavolcanic rocks intruded by undated granitic dikes and stocks.

In December 2018 and then as amended in June 2019, the Company entered into a property option agreement jointly with Universal Copper Ltd. (formerly, Tasca Resources Ltd.) ("Universal") and an individual. In October 2020, the Company assigned its interest in the property option agreement for the Princeton property to Damara Gold Corp. ("Damara"). Pursuant to the assignment, Damara issued 9.9% of its outstanding common shares to the Company on closing of the assignment at a fair value of \$228,500. After reducing the carrying value of the property to \$Nil by recording a \$228,000 recovery to the mineral property, the Company recorded mineral property option income of \$500 for the year ended December 31, 2020. Subject to the exercise of the option by December 31, 2021, the Company's aggregate ownership in the capital of Damara shall increase to 19.9% which Damara did exercise by the issuance of 9.8 million Damara shares to the Company at a fair value of \$588,800 which was recorded as mineral property option income for the year ended December 31, 2021.

1.2.5 Corral Canyon property (Nevada, USA)

Corral Canyon property lies 35 km west of the town of McDermitt in Humboldt County along the western flank of the McDermitt caldera complex, an area of volcanic rocks that hosts significant lithium and uranium mineralization in addition to gold. It contains volcanic-hosted, epithermal, disseminated and vein gold mineralization evidenced by previous drilling.

In 2018, the Company staked 92 mining claims covering 742 hectares in Nevada, USA.

In November 2019, a five hole, 1600 meter drilling program was completed. Further details of the drilling program for the Corral Canyon project are provided in the Company's news release dated November 28, 2019 and titled, "*Canarc Completes Phase 1 Drill Program at Corral Canyon, Nevada*".

The Company is seeking a partner to drill identified targets on the property.

1.2.6 Eskay Creek property (British Columbia, Canada)

In December 2017, the Company signed an agreement with Barrick Gold Inc ("Barrick") and Skeena Resources Ltd. ("Skeena") involving the Company's 33.3% carried interest in certain mining claims adjacent to the past-producing Eskay Creek Gold mine located in northwest British Columbia, whereby the Company will retain its 33.33% carried interest. The Company and Barrick have respectively 33.33% and 66.67% interests in 6 claims and mining leases totaling 2323 hectares at Eskay Creek. Pursuant to an option agreement between Skeena and Barrick, Skeena had the right to earn Barrick's 66.67% interest in the property which right had been exercised in October 2020. The Company had written off the property in 2005.

Garry Biles, PEng, President and Chief Operating Officer of the Company, was the qualified person, as defined by National Instrument 43-101, and had approved the technical information from the drilling programs for the New Polaris and Windfall Hills projects.

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Other Matters

Mr. Andrew Bowering resigned from the Board of Directors in March 2022.

At the Company's contested Annual and Special General Meeting held on July 19, 2022, shareholders voted for the election of Sofia Bianchi, Carmen Letton, Kadri Dagdelen, Andrew Trow, and Scott Eldridge as Directors for the ensuing year. Three other nominees originally proposed by the Company, namely Bradford Cooke, Martin Burian and Deepak Malhotra, elected to resign from the Board.

In August 2022, Scott Eldridge resigned as CEO and a Director of the Company, and Catalin Kilofliski was appointed as CEO, and Michael Doyle was nominated as a Director and who subsequently was appointed as Chief Technical Officer.

At the Company's Special General Meeting held on October 17, 2022, disinterested shareholders voted in favor for the creation of a new control person with Sun Valley Investments AG ("Sun Valley") owning more than 20% interest of the Company which allowed the closing of the flow through private placement for 4.7 million common shares, resulting in Sun Valley's ownership interest in the Company increasing from 19.40% to 23.55%. Sun Valley participated in a rights offering in December 2022 and increased its ownership in the Company to 40.06%.

In February 2023, Philip Yee resigned as CFO and Corporate Secretary of the Company, and Mihai Draguleasa was appointed as CFO and Corporate Secretary of the Company.

1.3 Selected Annual Information

(in \$000s except per share amount)	Years ended December 31,		
	2022	2021	2020
Total revenues	\$ -	\$ -	\$ -
Net loss:			
(i) Total	(2,705)	(1,832)	(1,708)
(ii) Basic per share	(0.03)	(0.03)	(0.03)
(iii) Fully diluted per share	(0.03)	(0.03)	(0.03)
Total assets	32,628	27,583	23,640
Total long term liabilities	1,690	107	136
Dividends per share	-	-	-

1.4 Results of Operations

Year ended December 31, 2022 compared with December 31, 2021

The Company has no sources of operating revenues. Operating losses were incurred for ongoing activities of the Company in acquiring and exploring its mineral property interests, advancing the New Polaris property, and pursuing mineral projects of merit. The Company incurred a net loss of \$2.7 million for fiscal 2022 which is higher than the net loss of \$1.8 million in fiscal 2021 (2020 - \$1.7 million).

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Net losses were impacted by different functional expense items:

(in \$000s)	2022	2021	Variance
Expenses:			
General and administrative	\$ 837	\$ 295	\$ 542
Employee and director remuneration	700	591	109
Change in fair value of marketable securities	425	384	41
Shareholder relations	384	446	(62)
Share-based payments	154	974	(820)
Corporate development	112	-	112
Interest and finance charges	71	33	38
Amortization	60	55	5
Interest and other income	(1)	(7)	6
Foreign exchange (loss) gain	(172)	29	(201)
Mineral property option income	(545)	(762)	217
Deferred income tax expense	1,399	-	1,399
Income tax recovery	(719)	(206)	(513)
Net loss for the year	\$ 2,705	\$ 1,832	\$ 873

General and administrative expenses

Overall general and administrative expenses of \$837,000 were significantly higher in 2022 with certain specific differences in contrast to \$295,000 for the same period in 2021:

(in \$000s)	Years ended December 31,		
	2022	2021	Variance
General and Administrative:			
Regulatory	\$ 446	\$ 76	\$ 370
Office and sundry	151	117	34
Legal	73	4	69
Accounting, audit and tax	61	59	2
Travel	59	-	59
Rent	46	39	7
	\$ 837	\$ 295	\$ 542

Regulatory fees increased in 2022 as in June 2022, a shareholder provided an advance notice for the nomination of three new directors for the Company at its upcoming annual and special general meeting, which led the Company to engage a proxy solicitation firm and legal counsel in the proxy contest, thus contributing to higher regulatory expenses of \$260,000 in the second quarter of 2022. This resulted in the election of three new directors and resignations of three previous directors. Regulatory expenses continued to be higher in the third quarter of 2022 from the proxy contest as well as additional costs from the special general meeting for the new control person of the Company which was held on October 17, 2022. Regulatory expenses also increased as the transfer agent manages its warrant indentures and from higher filing and annual listing fees.

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Legal fees increased in 2022 with legal counsel acting as a corporate advisor to the new Board who reside overseas, corporate issues with Sun Valley possibly becoming a new control person, and recommendations to improve the Company's corporate governance policies and charters. Nominal legal services were rendered in 2021 for corporate maintenance and annual filings.

Other general and administrative expenses have seen slightly increases with the company intensifying its efforts to advance New Polaris.

Employee and director remuneration

Overall remuneration for employees and directors has been consistent for 2022 vs. 2021, with the higher 2022 amount being attributed mainly to the severance paid to the former CEO.

Change in fair value of marketable securities

The change in the fair value of marketable securities is attributable to changes in the quoted market prices of the investments up to their date of disposal or through to period end if continued to be held. In 2022, losses were realized from disposition of marketable securities with further losses being recognized at the end of the year from lower fair values. In 2021 gains were realized from the disposition of market securities but losses from remaining shareholdings at year end off-setted such gains. The Company's marketable securities consist of mainly investments in other mining companies, and the 2022 and 2021 fair value loss is a result of a general decline in valuations of precious metals and mining companies after the 2020 surge.

Shareholder relations and corporate development

The Company continued to incur shareholder relations costs in order to raise the profile and market awareness. In July 2021, a VP Corporate Development was hired to assist with shareholder relations activities. Starting 2022, the remuneration of the VP Corporate Development is reported as a separate item - Corporate development expense - in the financial statements.

Share based payments (non-cash expense)

Share based payments were significantly lower in 2022 compared to 2021 due to forfeitures of unvested stock options from the resignations of former Board members and CEO, resulting in reversals of share-based payment expenses from prior periods, given Board members held a significant proportion of outstanding stock options.

Foreign exchange loss (gain) (non-cash item)

The \$172,000 gain recognized in 2022 is a non-cash item resulted from revaluation of certain assets/investments of the Company.

Mineral property income

Mineral property income in 2022 was from the sale of a USA non material property in Nevada, the sale of physical historical geological data library, and the cash option receipt for its Idaho property.

Income tax recovery (non-cash income)

The income tax recovery is the allocation of the premium in the flow through private placement on a pro rata basis of qualified exploration expenditures incurred during the year. Flow through premiums from private placements were recognized in October and December 2021 and then again in January 2022 and October 2022. Given that the flow through funds were raised late in 2021, and therefore used mainly in 2022, the income tax recovery is significantly higher in 2022.

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Deferred income tax expense (non-cash expense)

The \$1.4 million deferred tax expenses is mainly the result of the timing difference between the accounting value and tax value of the mineral properties, the main driver of the difference being the renunciation of the flow-through renunciations. See Note 15 of 2022 consolidate financial statements of the Company for details of the calculation.

Mineral property interests

As at December 31, 2022, the Company has mineral property interests which are comprised of the following:

	Canada		USA		Total
	British Columbia		Nevada		
	New Polaris (Note 7(a)(i))	Windfall Hills (Note 7(a)(ii))	Fondaway Canyon (Notes 7(b)(i))	Corral Canyon (Note 7(b)(ii))	
Acquisition Costs:					
Balance, December 31, 2021	\$ 3,941	\$ 370	\$ 1,289	\$ 25	\$ 5,625
Additions	12	-	-	-	12
Recoveries	-	-	(476)	-	(476)
Foreign currency translation adjustment	(43)	(22)	(158)	(2)	(225)
Balance, December 31, 2022	3,910	348	655	23	4,936
Deferred Exploration Expenditures:					
Balance, December 31, 2021	14,968	1,062	1,547	579	18,156
Additions:					
Exploration:					
Assays and sampling	145	4	-	-	149
Community and social	20	-	-	-	20
Drilling	2,023	-	-	-	2,023
Environmental	557	-	-	-	557
Feasibility	215	-	-	-	215
Field, camp, supplies	234	-	-	-	234
Fuel, gas, propane	177	-	-	-	177
General, administrative, sundry	15	-	19	-	34
Geology	301	-	-	-	301
Local labour	503	-	-	-	503
Machinery and equipment	52	-	-	-	52
Metallurgy	171	-	-	-	171
Reclamation	20	-	-	-	20
Recovery of taxes	(774)	-	-	-	(774)
Rental and storage	103	-	-	2	105
Royalties	53	-	-	-	53
Salaries	157	-	-	-	157
Surface taxes	1	-	-	17	18
Surveying	6	-	-	-	6
Transportation	541	-	-	-	541
Utilities	39	-	-	-	39
Recoveries	-	-	(62)	-	(62)
Foreign currency translation adjustment	(1,074)	(69)	(143)	(68)	(1,354)
Balance, December 31, 2022	18,453	997	1,361	530	21,341
Mineral property interests:					
Balance, December 31, 2022	\$ 22,361	\$ 1,345	\$ 2,016	\$ 553	\$ 26,277

Details of the exploration programs are provided in section 1.2.1 of this MD&A.

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1.5 Summary of Quarterly Results (Unaudited)

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, December 31, 2022. All dollar amounts are expressed in U.S. dollars unless otherwise indicated.

(in \$000s except per share amount)	Years ended December 31,							
	2022				2021			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Total revenues	\$ -	-	-	-	\$ -	-	-	-
Net loss:								
(i) Total	(1,274)	(48)	(1,134)	(249)	(153)	(520)	(642)	(517)
(ii) Basic per share	(0.01)	-	(0.01)	-	-	(0.01)	(0.01)	(0.01)
(iii) Fully diluted per share	(0.01)	-	(0.01)	-	-	(0.01)	(0.01)	(0.01)
Total assets	32,268	27,375	27,062	28,253	27,583	23,572	24,234	23,404
Total long term liabilities	1,690	293	120	113	107	101	133	130
Dividends per share	-	-	-	-	-	-	-	-

In the first quarter of 2022, the flow through non-cash income tax recovery of \$165,000 reduced the net loss.

In the second quarter of 2022, the net loss of \$1.1 million was higher than the previous quarters. Regulatory expenses of \$260,000 were significantly higher than prior quarterly periods and were attributable to the proxy contest whereby a proxy solicitation firm and legal council were engaged. Losses of \$423,000 were recognized from decreases in the fair value of marketable securities.

In the third quarter of 2022, net losses are lower than previous quarters mainly due to non-cash expenses (i.e., income tax recoveries resulted from flow through expenditures, reversal of prior share based compensation expenses, revaluation of unrealized gain/losses of marketable securities and foreign exchange. Furthermore, mineral property option income of \$480,000 cash from the sale of the Hot Springs Point property reduced net loss in the third quarter of 2022.

In the fourth quarter of 2022, the high net loss is a result of the Company recognizing a non-cash deferred tax expense of \$1.4 million due to discrepancies between the book value and tax value of its mineral properties.

In 2022, the Company expended \$5.3 million on exploration expenditures for its New Polaris. The drilling program accounts for \$2 million and continuous monthly environmental baseline studies for \$557,000. Given the remote location of New Polaris, another significant exploration related cost is transportation (\$541,000). The crew and equipment are brought into the camp by air transportation. Labour cost related to developing the New Polaris camp and supporting the exploration programs accounted to \$503,000 in 2022.

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1.6 Liquidity

The Company has no operating revenues, has incurred a significant net loss of \$2.7 million for the year ended December 31, 2022, and has a deficit of \$52.8 million as at December 31, 2022. In addition, the Company has negative cash flows from operations. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management continues to find opportunities to raise the necessary capital to meet its planned business objectives and continues to seek financing opportunities. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future except as disclosed in this MD&A and in its regulatory filings. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration and development programs and overall market conditions for smaller mineral exploration companies. In the past, the Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal years since incorporation. This result is typical of smaller exploration companies and will continue unless positive cash flow is achieved.

The following table contains selected financial information of the Company's liquidity:

(in \$000s)	December 31,	
	2022	2021
Cash	\$ 3,825	\$ 2,008
Working capital	4,386	2,575

Ongoing operating expenses continue to reduce the Company's cash resources and working capital, as the Company has no sources of operating revenues, as well as the advancement of New Polaris.

On January 18, 2022, the Company closed the second tranche for 4.05 million flow through shares for gross proceeds of CAD\$2.03 million.

The Company received a demand loan of CAD\$25,000 in late June 2022 which was repaid in July 2022.

In July 2022 the Company received \$480,000 from the sale of the Hot Springs Point property.

On August 15, 2022, the Company entered into a Bridge Loan Agreement with Sun Valley for CAD\$2.5 million bearing an interest rate of 5.5% per annum. The loan has a maturity date of the earliest of:

- August 15, 2023,

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- The termination of the standby guarantee, and
- The completion of a rights offering.

The bridge loan was extinguished in December 2022 when Sun Valley purchased 20,352,577 common shares under the standby guarantee agreement for the rights offering. From the CAD\$3.6 million gross proceeds received from Sun Valley, the Company deducted a total of CAD\$2.5 million to pay back and terminate the \$CAD2.5M loan provided by Sun Valley in August 2022 plus accrued interest of CAD\$46,336, and a total of CAD\$178,085 in fees pursuant to the standby guaranty agreement.

On October 19, 2022, the Company closed a private placement for 4.7 million flow through common shares at a price of CAD\$0.32 per share for gross proceeds of CAD\$1.5 million. In connection with the flow through common shares issued during the year ended December 31, 2022, the Company has an obligation to incur qualified expenditures of CAD\$229,000 by the 2023 fiscal year.

In November 2022, the Company proceeded with a rights offering whereby shareholders of the Company received one right for each common share held. Each two rights entitled holders to subscribe for one common share at a price of CAD\$0.175. The Company closed the offering on December 16, 2022 and issued 25,277,221 common share for total gross proceeds of CAD\$4.4 million.

For the year ended December 31, 2022, the Company received proceeds of \$325,000 from the disposition of marketable securities and \$10,000 from the sale of physical historical geological data library which has minimal value as the Company advances its sole material property, New Polaris. A cash payment of \$100,000 was also received by the Company under the agreement that the Company has with Getchell for the Fondaway project.

In the past, the Company has entered into a number of option agreements for mineral properties that involve payments in the form of cash and/or shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.7, further details of contractual obligations are provided as at December 31, 2022. The Company will continue to rely upon equity financing as its principal source of financing its projects.

1.7 Capital Resources

At December 31, 2022, to maintain its interest and/or to fully exercise the options under various property agreements covering its property interests, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Cash Payments (CAD\$000)	Cash Payments (US\$000)	Annual Payments (US\$000)	Number of Shares
New Polaris:				
Net profit interest reduction or buydown	\$ -	\$ -	\$ -	150,000
Fondaway Canyon:				
Advance royalty payment for buyout of 3% net smelter return ⁽¹⁾	-	-	35	-
Buyout provision for net smelter return of 2% ⁽²⁾	-	2,000	-	-
Windfall Hills:				
Buyout provision for net smelter return of 1.5%	1,000	-	-	-
Reduction of net smelter return of 2% to 1%	-	500	-	-
	\$ 1,000	\$ 2,500	\$ 35	150,000

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- (1) Advance royalty payments of \$215,000 remain payable as at December 31, 2022 with annual payments of \$35,000. Pursuant to the option agreement, Getchell will be obligated to pay the annual advance royalty; Item 1.2.2.b provides further details. Getchell paid the \$35,000 advance royalty in July 2022.
- (2) The 2% NSR has a buyout provision of either \$2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least \$5 million.

Certain amounts may be reduced in the future as the Company determines which properties to continue to explore and which to abandon.

In February 2017, the Company entered into an office lease arrangement for a term of five years with a commencement date of August 1, 2017 which ended on July 31, 2022. The basic rent per year is CAD\$46,000 for years 1 to 3 and CAD\$48,000 for years 4 to 5.

In January 2022, the Company entered into an office lease arrangement for a term of five years with a commencement date of September 1, 2022. The basic rent per year is CAD\$84,700 for years 1 to 2, CAD\$87,300 for years 3 to 4, and CAD\$89,900 for year 5.

The following schedule provides the contractual obligations related to the basic office lease for its Vancouver, BC office and the advance royalty payments for the Fondaway Canyon property as at December 31, 2022 and 2021:

	Payments due by Period					Payments due by Period				
	(CAD\$000)					(US\$000)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Basic office lease	\$ 406	\$ 85	\$ 173	\$ 148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty	-	-	-	-	-	215	35	105	75	-
Total, December 31, 2022	\$ 406	\$ 85	\$ 173	\$ 148	\$ -	\$ 215	\$ 35	\$ 105	\$ 75	\$ -
Basic office lease	\$ 28	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty	-	-	-	-	-	250	35	105	105	5
Total, December 31, 2021	\$ 28	\$ 28	\$ -	\$ -	\$ -	\$ 250	\$ 35	\$ 105	\$ 105	\$ 5

- (1) Pursuant to the option agreement, Getchell will be obligated to pay the annual advance royalty. Getchell paid the \$35,000 advance royalty in July 2022. (Item 1.2.2.a).

The Company will continue to rely upon debt and equity financings as its principal sources of financing its projects and for working capital.

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1.7 Off-Balance Sheet Arrangements

At the discretion of the Board, certain stock option grants provide the option holder the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options that represent the share appreciation since granting the stock options.

1.8 Transactions with Related Parties

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the MD&A, the Company had the following general and administrative costs with related parties during the year ended December 31, 2022 and 2021:

	Years ended December 31,			Net balance receivable (payable) as at December 31,	
	2022	2021	2020	2022	2021
Key management compensation:					
Executive salaries and remuneration ⁽¹⁾	\$ 647	\$ 567	\$ 562	\$ 106	\$ 126
Severance	191	-	-	-	-
Directors fees	70	26	33	57	-
Share-based payments	154	929	148	-	-
	\$ 1,062	\$ 1,522	\$ 743	\$ 163	\$ 126
Net office, sundry, rent and salary allocations recovered from (incurred to) company sharing a common director ⁽²⁾	\$ 1	\$ 8	\$ 5	\$ 1	\$ 1

(1) Includes key management compensation which is included in employee and director remuneration, mineral property interests, and corporate development.

The above transactions are incurred in the normal course of business.

On June 28, 2022, the Company arranged a loan for CAD\$25,000 from a company controlled by a former director. The loan bore interest at a rate of 9% per annum, and the entire loan amount of CAD\$25,000 was fully repaid on July 14, 2022 along with interest of CAD\$99.

On August 15, 2022, the Company entered into a Bridge Loan Agreement with Sun Valley for CAD\$2.5 million bearing an interest rate of 5.5% per annum. As discussed above in section 1.6, the loan was extinguished in December 2022.

1.9 Proposed Transactions

There are no proposed material asset or business acquisitions or dispositions, other than those in the ordinary course of business and other than those already disclosed in this MD&A, before the board of directors for consideration, and other than those already disclosed in its regulatory and public filings.

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1.10 Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and judgements and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests and receivables; valuation of certain marketable securities; accrued site remediation; amount of flow-through obligations; recognition of deferred income tax liability; the variables used in the determination of the fair value of stock options granted and finder's fees warrants issued or modified; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company applies judgment in assessing the functional currency of each entity consolidated in the financial statements.

For right of use assets and lease liability, the Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

The Company applies judgment in assessing whether material uncertainties exist that would cast substantial doubt as to whether the Company could continue as a going concern.

Acquisition costs of mineral properties and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a property from which there is production will be amortized using the unit-of-production method. Capitalized costs are written down to their estimated recoverable amount if the property is subsequently determined to be uneconomic. The amounts shown for mineral property interests represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

At the end of each reporting period, the Company assesses each of its mineral properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

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1.11 Changes in Accounting Policies including Initial Adoption

New Accounting Pronouncements

The Company did not early adopt any recent pronouncements as disclosed in Note 2, of the audited consolidated financial statements for the year ended December 31, 2022.

1.12 Financial Instruments and Other Instruments

IFRS 9 *Financial Instruments*:

The Company has classified its financial instruments under IFRS 9 *Financial Instruments* ("IFRS 9") as follows:

	IFRS 9
Financial Assets	
Cash	Fair value through profit or loss ("FVTPL")
Marketable securities	FVTPL
Receivables	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Deferred royalty liability	Amortized cost
Lease liability	Amortized cost

Management of Financial Risk

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair values 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 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company's receivables, accounts payable and accrued liabilities, and bridge loan approximate their carrying values due to the short terms to maturity. Cash and certain marketable securities are measured at fair values using Level 1 inputs. Certain other marketable securities are measured using Level 3 of the fair value hierarchy. The fair value of deferred royalty and lease liabilities approximate their carrying values as they are at estimated market interest rates using Level 2 inputs.

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(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions.

To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable, which may include amounts receivable from certain related parties, and records an expected credit loss based on its best estimate of potentially uncollectible amounts. Management believes that the credit risk with respect to these financial instruments is remote.

The financial instruments that potentially subject the Company to credit risk comprise investments, cash and cash equivalents and certain amounts receivable, the carrying value of which represents the Company's maximum exposure to credit risk.

(b) 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 that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at December 31, 2022, the Company had a working capital (current assets less current liabilities) of \$4.4 million (December 31, 2021 – working capital of \$2.6 million). The Company has sufficient funding to meet its short-term liabilities, flow-through obligations and administrative overhead costs, and to maintain its mineral property interests in 2023.

The following schedule provides the contractual obligations related to the deferred royalty payments for the Fondaway Canyon project and office lease obligations as at December 31, 2022 and 2021:

	Payments due by Period (CAD\$000)					Payments due by Period (US\$000)				
	Total	Less than	1-3 years	3-5 years	After	Total	Less than	1-3 years	3-5 years	After
		1 year			5 years		1 year			5 years
Basic office lease	\$ 406	\$ 85	\$ 173	\$ 148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty	-	-	-	-	-	215	35	105	75	-
Total, December 31, 2022	\$ 406	\$ 85	\$ 173	\$ 148	\$ -	\$ 215	\$ 35	\$ 105	\$ 75	\$ -
Basic office lease	\$ 28	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty	-	-	-	-	-	250	35	105	105	5
Total, December 31, 2021	\$ 28	\$ 28	\$ -	\$ -	\$ -	\$ 250	\$ 35	\$ 105	\$ 105	\$ 5

- (1) Pursuant to the option agreement, Getchell will be obligated to pay the annual advance royalty. Getchell paid the \$35,000 advance royalty in July 2022. (Item 1.2.2.a).

Accounts payable and accrued liabilities are due in less than 90 days, and the notes payable, if any, are due on demand.

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(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

Certain of the Company's mineral property interests and operations are in Canada. Most of its operating expenses are incurred in Canadian dollars. Fluctuations in the Canadian dollar would affect the Company's consolidated interim statements comprehensive income (loss) as its functional currency is the Canadian dollar, and fluctuations in the U.S. dollar would impact its cumulative translation adjustment as consolidated financial statements are presented in U.S. dollars.

The Company is exposed to currency risk for its U.S. dollar equivalent of assets and liabilities denominated in currencies other than U.S. dollars as follows:

	2022	2021
Cash	\$ 3,825	\$ 1,701
Marketable securities	855	1,300
Receivables	1,131	1
Accounts payable and accrued liabilities	(1,296)	(800)
Lease liability	(257)	(21)
Net financial assets (liabilities), December 31	\$ 4,259	\$ 2,181

Based upon the above net exposure as at December 31, 2022 and assuming all other variables remain constant, a 10% (2021 - 10%) depreciation or appreciation of the U.S. dollar relative to the Canadian dollar could result in a decrease (increase) of approximately \$426,000 (2021 - \$218,000) in the cumulative translation adjustment in the Company's shareholders' equity.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end and no variable interest bearing debt.

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(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company's other price risk includes equity price risk, whereby investments in marketable securities are held for trading financial assets with fluctuations in quoted market prices recorded at FVTPL. There is no separately quoted market value for the Company's investments in the shares of certain investments.

As certain of the Company's marketable securities are carried at market value and are directly affected by fluctuations in value of the underlying securities, the Company considers its financial performance and cash flows could be materially affected by such changes in the future value of the Company's marketable securities. Based upon the net exposure as at December 31, 2022 and assuming all other variables remain constant, a net increase or decrease of 75% (2021 - 75%) in the market prices of the underlying securities would increase or decrease respectively net (loss) income by \$641,000 (2021 - \$975,000).

1.13 Other MD&A Requirements

1.13.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

- (a) may be found on SEDAR at www.sedar.com;
- (b) may be found in the Company's annual information form; and
- (c) is also provided in the Company's audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020.

1.13.2 Outstanding Share Data

The following table presents an updated share data as of March 24, 2023.

Common Shares:

Common shares outstanding at December 31, 2022 and March 24, 2023	136,889,394
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Warrants:

Warrants outstanding at December 31, 2022 and March 24, 2023	638,510
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Stock Options:

Stock options outstanding at December 31, 2022	2,235,000
Stock options forfeited subsequent to December 31, 2022	(460,000)
Stock options outstanding at March 24, 2023	1,775,000

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1.14 Outlook

The Company expects to continue to depend upon equity financings to continue exploration work on and to advance its mineral property interests, and to meet its administrative overhead costs for the 2023 fiscal year. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its properties in the foreseeable future.

1.15 Risk Factors

Mineral exploration, development and operation involves a number of risks and uncertainties, many of which are beyond the Company's control. These risks and uncertainties include, without limitation, the risks discussed elsewhere in this MD&A and those identified in the Company's Annual Information Form dated March 28, 2023 for the year ended December 31, 2022 and which was filed on SEDAR on March 29, 2023, and the Company's other disclosure documents as filed in Canada on SEDAR at www.sedar.com.

Possible Dilution to Current Shareholders based on Outstanding Options and Warrants

At December 31, 2022, the Company had 136,889,394 common shares, and 2,235,000 outstanding share purchase options and 638,510 share purchase warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At December 31, 2022, securities that could be dilutive represented approximately 2.1% of the Company's issued shares. None of these dilutive securities were exercisable at prices below the December 31, 2022 closing market price of CAD\$0.18 for the Company's shares, which accordingly would not result in dilution to existing shareholders.

1.16 Internal Controls over Financial Reporting

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICOFR"). Except as noted below, our ICOFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management of the Company recognizes that any controls and procedures, no matter how well conceived and operated, have inherent limitations. As a result, even those systems designed to be effective can only provide reasonable assurance, and not absolute assurance, of achieving the desired control objectives, and management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

In common with many other smaller companies, the Company has insufficient resources to appropriately review increasingly complex areas of accounting within the accounting function such as those in relation to financial instruments and deferred income tax. To remedy this weakness in its ICOFR, the Company shall engage the services of an external accounting firm to assist in applying complex areas of accounting as and when needed.

Management performed an assessment of the Company's ICOFR as at December 31, 2022. Based upon the results of that assessment as at December 31, 2022, management concluded that its internal control over financial reporting is effective.

Changes in Internal Controls over Financial Reporting

Except as disclosed above, there have been no changes in our internal control over financial reporting during year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our ICOFR.